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FEDERAL ADVISORY COUNCIL

ON

REGIONAL ECONOMIC DEVELOPMENT

FOURTEENTH MEETING--DECEMBER 14, 1976

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FEDERAL ADVISORY COUNCIL

ON

REGIONAL ECONOMIC DEVELOPMENT

FOURTEENTH MEETING--DECEMBER 14, 1976

Juanita M. Kreps
Secretary of Commerce and Chairman
Federal Advisory Council

Robert T. Hall
Acting Special Assistant to the Secretary and
Executive Secretary
Federal Advisory Council

U.S. Department of Commerce

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INTRODUCTION

On December 14, 1976, the Federal Advisory Council on Regional Economic Development convened to review the revised regional development plan prepared by the New England Regional Commission. The plan had been previously made available to the Council for written comments.

The first regional development plan prepared by the Commission was approved by the Secretary of Commerce in 1972 and served as the framework for decisions made by the Commission with respect to establishing priorities, formulating program strategies, and funding projects. During the past four years, however, changes in the national and regional economies, together with the Region's critical energy problems, the closing of many of its military bases, and the deteriorating conditions of its railroad system, required a thorough review and revision of the original development plan.

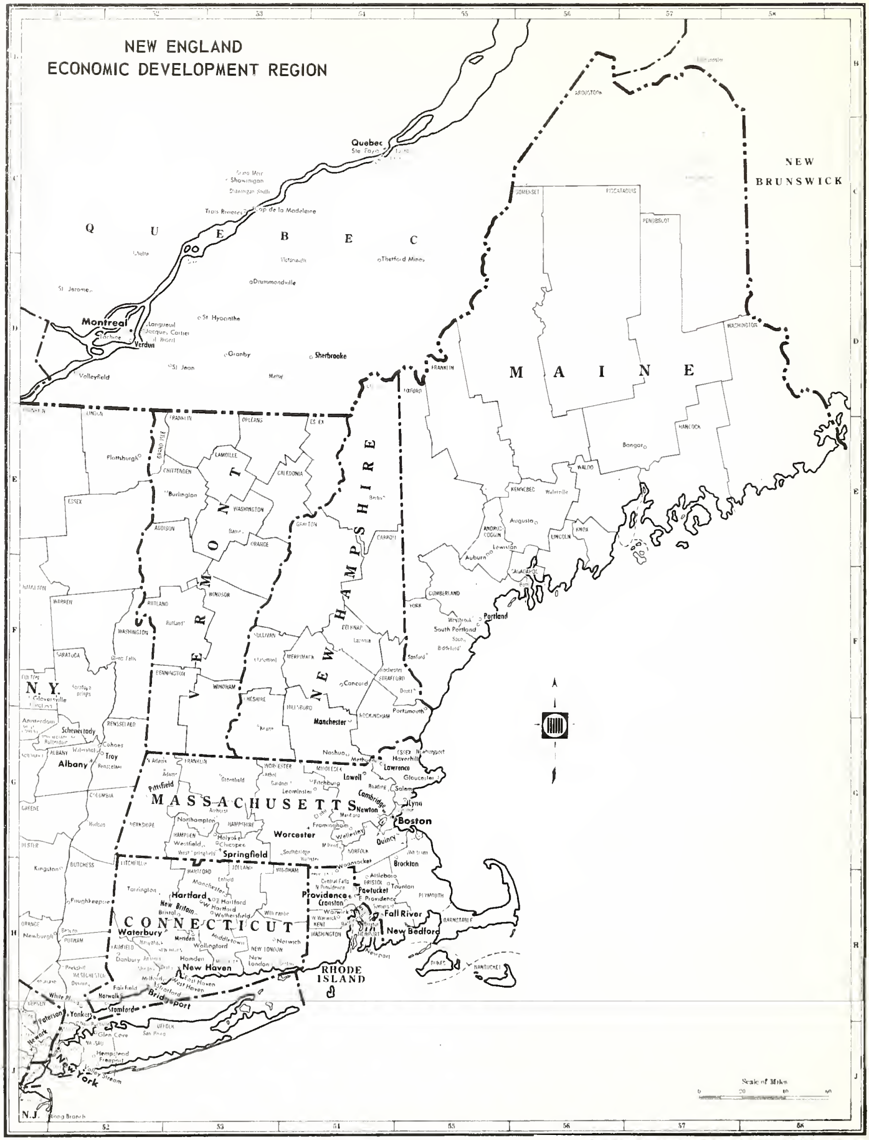
In revising its development plan, the Commission has chosen to provide for programs and projects that can be quickly implemented to effectively reduce the high levels of unemployment. It is a document concerned with both short run and long range development.

The Federal Advisory Council, which was created by Executive Order 11386, is composed of Federal agencies charged with administering domestic development programs and provides guidance to the Regional Commissions in their efforts to influence the growth of their respective regions.

The New England Regional Commission is one of seven such Regional Commissions organized under the authority of the Public Works and Economic Development Act of 1965, as amended. The New England Region includes the States of Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont.

The other six Regional Commissions organized under Title V are the Coastal Plains, Four Corners, Ozarks, Pacific Northwest, and Upper Great Lakes. An eighth Commission, the Appalachian Regional Commission, was established under the Appalachian Regional Development Act of 1965 as amended.

The recommendations made by the Federal Advisory Council with respect to the revised development plan of the New England Regional Commission will be reflected in the plan before it is submitted to the Secretary of Commerce for approval and for transmittal to the President.



Courtesy of the New England Regional Commission.

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Upper Great Lakes Regional Commission

* Members as of December 14, 1976.

Dr. Irene M. McInnis, Economic Development Director of the Commission, presenting an overview of the New England development plan to the Advisory Council.

PARTICIPANTS AT THE FOURTEENTH MEETING OF THE FEDERAL ADVISORY COUNCIL ON REGIONAL ECONOMIC DEVELOPMENT

December 14, 1976

The meeting was called to order by Mr. John W. Eden, Acting Special Assistant for Regional Economic Coordination and Executive Secretary of the Council.

Steven R. Myers
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Department of Agriculture

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Staff, Office of the Chief of Engineers
Department of the Army

Robert Rauner
Economist
Office of Regional Economic Coordination
Department of Commerce

William Burke
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Environmental Protection Agency

Kenneth A. Wood, Jr.
Director, Intergovernmental Relations
Federal Energy Administration

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Department of Labor

William R. Etheridge
Economist
Small Business Administration

Edmond Case
Transportation Economist
Department of Transportation

Salim Kublawi
Special Assistant to the Federal Cochairman
Appalachian Regional Commission

Thomas P. Salmon
Governor of Vermont

Russell F. Merriman
Federal Cochairman
New England Regional Commission

Thomas J. Doyle
State Cochairman's
Special Representative
New England Regional Commission

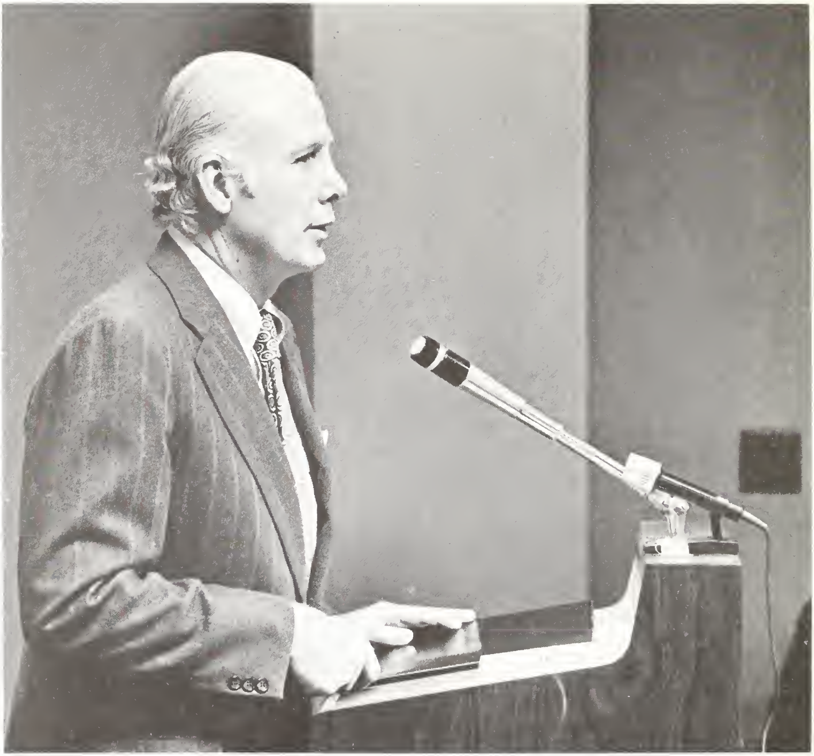
Thomas H. Fitzpatrick
Energy Program Director
New England Regional Commission

Irene M. McInnis
Economic Development Director
New England Regional Commission

George Sahady
Economist
New England Regional Commission

J. David Stein
Transportation Program Director
New England Regional Commission

Denman Van Ness
Director
Capital and Labor Markets
New England Regional Commission



John W. Eden, Acting Special Assistant to the Secretary for Regional Economic Coordination, asking for comments on the review process.

AGENDA FOR FOURTEENTH MEETING OF THE FEDERAL ADVISORY COUNCIL ON REGIONAL ECONOMIC DEVELOPMENT

Time:	9:30 a.m., December 14, 1976
Place:	Room 5320, Main Commerce Building
Opening Remarks:	Honorable John W. Eden Acting Special Assistant to the Secretary for Regional Economic Coordination and Acting Executive Secretary of the Federal Advisory Council

Discussion of New England Regional Development Plan:

Introductory Remarks	Honorable Russell F. Merriman Federal Cochairman New England Regional Commission
Plan Overview	Dr. Irene McInnis Economic Development Director New England Regional Commission
Review of Region's Economy	Mr. George Sahady Economist New England Regional Commission
Economic Development Program	Dr. Irene McInnis
Capital and Labor Program	Mr. Denman Van Ness Capital and Labor Markets New England Regional Commission
Energy	Mr. Thomas Fitzpatrick Energy Program Director New England Regional Commission
Transportation	Mr. David Stein Transportation Program Director New England Regional Commission
State Role	Mr. Thomas Doyle State Cochairman's Special Representative

Individual Agency Comments:

Department of Agriculture
Department of the Army
Department of Housing and Urban Development
Department of the Interior
Department of Labor
Department of Transportation
Small Business Administration
Environmental Protection Agency
Federal Energy Administration
Department of Commerce
Appalachian Regional Commission

OPENING REMARKS

Mr. EDEN: Why don't we bring this meeting to order. Number one, I would like to introduce myself—I am John Eden, the Secretary's Acting Special Assistant for Regional Economic Coordination. I would like to welcome all of you here and to thank you for coming and for taking the time to review the New England Regional Commission Plan. We look forward to receiving your expert advice and guidance this morning.

I know a great many of you have been with us before at some of the other meetings, but I do see some new faces today.

These meetings, to me, are rather an unusual and unique occurrence in that they represent one of the very few opportunities we have in the Federal Government to bring the disciplines of a number of different Departments together to focus in a cooperative manner on the specific problems of a geographical region of the country.

There are a number of activities going on within the government which focus on regional problems, particularly in the areas of economic and growth development. Certainly among the most unique and creative organizations dealing with regional problems are the commissions, not the least of which is the New England Regional Commission which is one of the older—starting in 1967—Title V organizations.

It is also unique in that New England's problems are confined to a rather distinct economic area that has a long cultural and historical tradition and now has some very distinct and unique economic problems, be they transportation, the deterioration of the older cities, energy, among many others. It is a Region with some distinct historical strengths that are known to many of us. But it is also a Region which, as I said, is suffering greatly now, and it puts a particular responsibility and provides a unique opportunity to this Commission to meet those problems and to bring the Region together to focus on them.

This Commission had a very interesting and outstanding capital-labor conference last November in Boston. It worked creatively to bring together local government, the private sector, and labor to focus on their problems and analyze the kinds of things that can be done.

Some imaginative things have come from that conference, and I know you will hear more about them today in the course of this presentation and perhaps have a chance to comment on them as you go along.

This plan and the activities of this Commission are singular in that the Commission operates without the supplemental grant activities. It uses its skills in a wide range of technical assistance and planning activities to the exclusion of the hard dollars. It is the judgment of this Commission that they can get more return for their funds in ways other than through supplemental grants. So it has presented to you something a little different to evaluate than some of the other Commissions.

As we have come together in our recent meetings, it has occurred to me that perhaps it might be useful if this group might meet—without a plan to concentrate on—and talk among ourselves as to what happens downstream after all of you have taken the time and effort to comment on these plans. It might be of value to you to visit with us, have a session as to where your comments go, what is the downstream result of them, how these relationships could be more effective in the future, and what other things we might do as a group.

I would like to just take a minute and perhaps seek a consensus of this group, if you think such a meeting as that might be useful—perhaps after the first of the year.

I know that a lot of you have been operating in a vacuum; you have worked very hard on these plans, make very substantive comments, come to the meetings, and then leave and probably wonder whatever happened to the plans. It occurred to George Milner and the staff, with which I certainly agree, that it might be helpful if we could just all of us sit together around this table and see if the current procedure is something you can work with and what more you might be able to contribute or what your agencies might feel is a different or a better or an improved way we might go about this.

I would just like to throw that open. What would be your feelings if we were to call such a session in mid-January or whatever, where we could just simply come together and discuss how this process has been going. Yes?

Mr. ETHERIDGE: Would we address ourselves at this first meeting to laying the groundwork for future procedures, because a lot of these reports have been so new that maybe there hasn't been time enough to get much of a track record on what has happened in some of these commissions. The January meeting could be a place where we could lay down some sort of guidelines or something like that for future procedures.

Mr. EDEN: That's how we visualize it. It would be kind of a procedure session, analyzing where we have been, where we might want to go in the future, and see if we could set, as you say, some guidelines or ground rules for such progress.

Mr. ETHERIDGE: One thing that would be good to know would be whether these Commission activities are being audited, say, by GAO or by some private management firm or CPA firm, the reports of which would be available to us. I don't mean that we would be looking much at the narrow, you know, little stuff they came up with, but whether they are on track in the program.

Mr. EDEN: That is a good comment, and there has been some GAO work done, which we should get to you; and I think there is some other work envisioned, too.

Yes, Chip?

Mr. WOOD: John, I think this could be a very helpful thing. I sit on another body that deals with Federal Regional Councils, and I think there is an awful lot that doesn't really apply to any one Regional Commission that might apply to all of them that I, for one, would very much like to discuss.

I think it would be great if we could get the Federal Cochairmen to attend, too.

Mr. EDEN: Would anybody be opposed to such an idea?

Well, why don't we just plan that, then? We will get in touch with you and try to schedule it early on, irrespective of Administration changes which would affect the Federal Cochairmen, because there would no doubt be some changes there. But I think it would be worthwhile to get it under way as soon as we can.

Well, if there are no other comments on that, we will set it up and move in that direction, and plan for maybe a couple-hour session. We will try to give you something in the way of a rough agenda, but it would be something you wouldn't necessarily have to prepare for—you could do whatever you wanted to—but it would be just essentially a brainstorming session based on where we have been so far.

Well, without any further ado, then, I would like to introduce to you Russ Merriman who is the Federal Cochairman of the New England Regional Commission. Russ has had this job for a number of years and runs, as I said earlier, a very unique Commission, a very tight ship, and I know you will find this an interesting session.

Russ, it's all yours.

Russell F. Merriman, Federal Cochairman of the New England Regional Commission, making introductory remarks.

NEW ENGLAND REGIONAL DEVELOPMENT PLAN

Introductory Remarks

Mr. MERRIMAN: Thank you very much John. I welcome this opportunity to be here this morning, to review with you the regional development plan and the programs of the New England Regional Commission. In a few minutes, I am going to introduce the staff who will participate in the presentation of the plan and the different areas that they are concerned with, but first I would like to say, if I may, a few words on our approach to this meeting.

We understand that the purpose of the Council is to review and comment on the regional development plan. We welcome this critique and will address ourselves to correcting any deficiencies of the plan that may be identified in your written comments or in our discussion today.

I don't mean to minimize the responsibility of the Council, but I would like to seek more involvement of the Federal departments and agencies in our planning process. Hopefully, when you leave here today, you will know more about NERCOM, and this knowledge will permit a follow-on process that ensures our programs and plans are not incompatible with yours.

Therefore, I would like to use this FACRED meeting to enter into a dialogue that includes a critique of the plan, an exposition of our regional programming efforts, and a discussion of their implications on Federal agency programming.

Our view of regional programming is that there are certain problems facing the Region's economy that appear not to be solvable by any one State, but might be aided by a concerted coordinated effort of the six States. On September 26, 1973, the New England Regional Commission adopted a program strategy addressing itself specifically to allocating its revenues to a regional action program and, by positive action, committed itself to the evolution of a regional approach in meeting New England's pressing economic and social needs.

The Commission has consistently maintained its program priorities over the past three fiscal years, and the state of the Region's economy suggests that energy, transportation, and commercial-industrial development will remain the areas that need allocation of Federal, State and local resources.

We realize our funds will probably remain limited and that we must seek to influence the allocation of the resources of State and Federal governments and the private sector to those areas that meet New England's economic and social needs.

But the viability of the Commission rests with our ability to complement the States' efforts to deal with economic problems and provide an access to the Federal departments and agencies to achieve cooperation and coordination of joint efforts.

I believe we have established a good working relationship with your regional offices; we have sought their participation and advice in developing our programs.

As you will hear, in some instances your agencies have joined us in funding several regional programs.

We participate in many of the activiites of the Federal Regional Council. I think our relationship with them has raised their level of regional consciousness.

With that, I would like to get into the program, but first we feel quite honored today—we have with us the Governor of Vermont. He was in town and was at one time the State Cochairman of the Commission. He has been very interested in the regional approach. And, if I may—this is a little departure—but I would like to call on Governor Salmon to say a few words at this time.

Governor?

Governor SALMON: Thank you very much, Mr. Chairman, Mr. Eden, ladies and gentlemen.

Unaccustomed as I am to public discourse—there is a rather long agenda here. I am reminded of a short story of William Saroyan. His character was a fellow named Trash Bashmanian. The wonderful line in the story goes something like this—Trash, incidentally, was a person who went around the countryside making public utterances; he was an after-dinner speaker.

The salient words, as I recall them were these: "Trash started to speak, moved confidently in no particular direction, although he spoke very clearly, he said nothing."

I don't want to emulate the role of Trash Bashmanian here today; I simply want to say this: regionalism, this Title V Commission in the New England States, is alive and, you might say, very, very well. Four short years ago all was not well with the Title V Commission in the New England States. The activity had been under the gun of a significant overview, in the "Spotlight" series of the *Boston Globe*. The Commission seemed to have failed to adequately define its mission. Three new governors came in in the class of 1972, and one of them, Phillip Noel of Rhode Island, deserves an immense amount of credit for his personal contributions to moving this Commission to a no-nonsense activity, which, aided with the strong support of Russ Merriman, has now targeted our economic, energy, and transportation concerns, as the mission. We have hired good people, many of whom will make a presentation here today, and, significantly, have the attention of both the White House and the Congress.

Speaking as the Governor of the smallest State in New England, this has been a magnificent exercise for us, a highly productive exercise, as I am certain, Mr. Eden, you will hear during the presentation today.

I am very delighted to have been able to interrupt these proceedings for these few moments. Thank you.

Mr. MERRIMAN: Thank you very much, Governor. In talking about how we would like to approach this presentation, if you agree we would like to hold the questions until you have heard the presentation of the plan by the program people. This way, I think, you will get a better feel of what they have to say and what the plan involves and what our ideas are. I think at that point we could then have the questions and also remarks by each of the agencies here as to their feelings on the plan.

Right now, if I may, I would like to introduce the staff of the Commission, some of whom you will be hearing from this morning.

First of all, Thomas Doyle, who represents Governor Dukakis, State Cochairman of the Commission; Jack Donohue, my staff here in Washington; Joe Kerr, my staff in Boston; Charles Tretter, the legal counsel of the Commission; Tom Fitzpatrick, of the energy staff; Dr. Irene McInnis, economic development; David Stein, transportation director; Dennie Van Ness, who is handling capital and labor; Bill Gildea, the chief of our monitoring; George Sahady, our staff economist; Don Dowd—well I guess he isn't here; Pam Gilman, my staff.

We also have with us today Len Wilson, director of planning for the State of Vermont.

We will be calling on some of these individuals as we proceed, and, if it is all right, we would like to hold the questions until after the presentations are made.

Could we ask the people at the table to introduce themselves, starting right over here?

[Designated representatives present introduce themselves.]

Nice to see you all.

To give us an overview of the entire plan, I would like to call on Dr. Irene McInnis, who will, during the course of her presentation, call on Mr. Sahady and Mr. Van Ness to cover certain areas of the overview. Dr. McInnis.

Plan Overview

Dr. McINNIS: Unaccustomed as I am to public speaking—Governor Salmon is always a hard act to follow as is our Federal Cochairman.

As you know, we are here today to present a summary of the New England Regional Commission's 1976 revision to the regional economic development plan.

As some of you have noted, the revision is a rather lengthy document, and we were aware of that as it was written. In part this is due to at least two factors. One, the many changes that have occurred in the economy of the Region since 1972, when the last regional plan was prepared. It is also due in part to a recognition that the Commission is a partnership between the Federal Government and the six New England States.

In keeping with that observation, the plan not only presents a thorough analysis of the Region's economy, but also includes an analysis of the economies of the six States. Further, the plan revision was reviewed—as an information item—by a number of the Region I Federal agencies, and the Commission was most appreciative of their comments, their interest, and their assistance.

Almost four years have passed since the preparation of the regional development plan. The many changes that have occurred since that time have necessitated a major revision and update of the Commission's programs and priorities. In general, the regional development plan required revision for some of the following reasons.

Again, the vast changes that occurred in the economy of the United States and in the New England Region since the early 1970's; the recent rates of unemployment and inflation were not foreseen at that time. Secondly, a new set of regional problems emerged that required ameliorative action: the soaring cost of energy; the demise of the rail transport; the military base closings—are all problems that have had a severe impact on New England, and clearly demanded attention by the Commission.

In a third area, in response to those severe problems, a new Commission program structure has to be developed and will continue to be modified as the economy continues to shift. The regional development plan contained programs in the areas of health care, elementary and secondary education, and other areas that were indirectly related to current problems.

The Commission now is focusing, as our Federal Cochairman mentioned earlier, in the areas of economic development, energy, and transportation.

All of these reasons made the preparation of the plan revision a timely and a desirable project.

In addition, new legislation providing the Title V Commissions with additional mandates were passed, and, as a result, through this regional or plan revision, the New England Regional Commission is placing itself in a position to meet its Congressional mandate.

As far as the structure of this morning's presentation, it will generally follow the outline of the plan itself. First, the Commission's economist, George Sahady, will present an overview of the analysis of the New England economy. His presentation will then be followed by brief statements by each of the program directors in the area of economic development, energy, and then transportation; and, again, focusing on the analysis of the Region's economy.

In general, to conclude this more-or-less introduction, it is important to remember that the plan revision is constructed to provide programs that supplement ongoing efforts to improve the Region's economic performance. It is not intended to be a comprehensive plan that includes all the efforts at economic performance undertaken by all government jurisdictions in the New England Region. In a sense, it is more modest in its objective in seeking understanding of the Region's economy and the States' economies, and in proposing ways that unemployment may be reduced.

With that objective in mind, we appreciate the opportunity to discuss the plan with you this morning, and we do welcome your comments and your recommendations towards its improvement.

I would now like to introduce George Sahady, who will present the overview of the economy.

Review of the Region's Economy

Mr. SAHADY: Thank you, Irene. My remarks today will focus on the New England economy, its current trends and projected future.

The Region's basic economic problem is that a majority of its industries lack the vitality of their national counterparts. The key to this problem continues to be the manufacturing sector. Therefore, it is important to trace the recent developments in the performance of this sector.

It is difficult to make general statements about the New England economy. While the Region contains many potential catalysts for the development of opportunities, such as the numerous highly sophisticated industries and research institutions, New England continues to be burdened by adverse economic conditions which have been further aggravated by the

national recession, causing increased contraction in the industrial base and higher levels of unemployment.

In addition to this situation, the Region's manufacturing sector continues to experience long-term decline while the service-producing industries are becoming increasingly important to the stability of the economy.

Let us first look at the performance of the manufacturing sector in the New England economy. The manufacturing sector has always been more important to New England than to the nation. In 1974, the manufacturing sector accounted for 29 percent of the nonagricultural employment in the Region, compared to 25 percent nationally.

Between 1960 and 1974, employment in the Region's manufacturing sector declined 2 percent, or 36,000 jobs. In the same period the Nation experienced a 19 percent increase.

This 15-year period presented unique economic conditions because it encompassed three recessions and a major boom. 1960 was a year of dramatic change in the composition of the Region's manufacturing sector. Until then, the non-durable group was in the dominant portion of this sector. However, the ongoing losses in the textile and leather industries resulted in a general decline of the importance of this group.

Also, in 1960, a new complement of high-technology industries began to emerge, which subsequently replaced those losses and formed the basis of a strong durables component. The years from 1960 to 1967 were marked by strong industrial expansion, led by industries such as machinery, transportation equipment, fabricated metals, and instruments. It is important to recognize that these industries were powered by Federal fiscal policies designed to meet the space and defense requirements of the Nation.

1967 was a peak year and a year of rapid expansion. In that year almost 1.6 million people were employed in manufacturing. The durable goods group had increased employment by 18 percent.

However, during the same period, the nondurables group, including textiles, leather, apparel and food industries continued to decline, experiencing a 3-percent loss in employment.

This exposes a basic cause of the Region's continual manufacturing decline. The nondurable goods group was contracting even during a strong expansionary period.

1967 was the last strong year for New England's manufacturing sector. The 1967-1970 period was highlighted by a softening demand for Federal space and defense programs. Many major New England manufacturers were not prepared to switch from their dependence on Federal contracts to domestic production. As a result, industrial contractions occurred, especially among the high technology group. In all, from 1967 to 1970, 109,000 jobs were lost in manufacturing. And the Region's unemployment rate climbed to 7.1 percent, 2 percent higher than the Nation's.

Obviously, reductions in Federal outlays on contracts were not limited to New England manufacturers. On the contrary, these reductions were the primary cause of the national recession experienced in 1970.

1971 to 1973 was a period of general recovery for the Nation. But, to a lesser extent, New England's conversion to domestic production was beginning and the high unemployment rates of 1970 were beginning to fall.

However, 1973 brought three economic adversities which had a much greater local impact on New England than on the Nation. The first and most dramatic of these was the

Arab oil embargo and the subsequent quadrupling of oil prices. New England was especially vulnerable to these situations for two reasons: one, the Region depends on oil for 81 percent of its energy, compared to the national dependence of 47 percent; and, two, it imports 70 percent of its needs compared to 35 percent nationally.

The cumulative effect was an 84.4 percent increase in energy prices for New England, compared to 27.1 percent increase for the Nation.

This high rise in overhead cost cut deeply into the Region's manufacturing profits.

The second economic adversity was the imminent threat of bankruptcy of railroad companies serving New England and the subsequent curtailment of services.

And the third was the decision by the Defense Department to close major military facilities in Rhode Island and Massachusetts. The immediate effect of these closings included the loss of over 11,000 jobs that were directly related to the facilities, and an additional 20,000 jobs in the industries that depended on these facilities for much of their sales.

These primary and secondary job losses affected over 4 percent of Rhode Island's total civilian employment and close to 1 percent of that of Massachusetts. The rippling effect of these closings also impacted over 1,000 jobs in other New England States.

In addition to these losses was the fact that many of these jobs were held by older highly skilled people with limited ability to find other employment.

The negative effect of these three generally local adverse economic effects were compounded by the evolution of a stubbornly increasing rate of inflation.

In 1974 and 1975, New England's manufacturing sector suffered further adversities because of the severe national recession. In 1975, manufacturing employment declined 9 percent for a loss of approximately 120,000 jobs. And all the major industries in this sector were affected greatly.

The key to New England's economy is the manufacturing sector. It has been and in all probability will remain the primary generator of income. The Region now faces a challenge of replenishing its manufacturing base with new types of industry. This can be done in three ways.

One, by attracting new industries into the Region; two, by expanding the manufacturers existing in the Region; or, three, developing new industries that are suitable to the business climate of the Region.

The first alternative will yield little success because New England is at a severe disadvantage vis-a-vis other regions in the cost of doing business.

Its few attributes are completely overwhelmed by the generally higher costs of doing business here in New England.

In developing new industries, New England is unlikely to find another textile, shoe, or defense-space industry.

Instead, new industries will probably capitalize upon the particular strengths and assets of the Region. To accomplish these efforts, we face a problem of locating substantial amounts of financing and venture capital, resources that are in short supply in this Region. This is a frustrating problem for an area that is a major clearing house for capital.

The resolution of this problem is a necessary prerequisite for the development of a rapidly growing high-technology industry group that will fill the Region's needs for a strong, growing manufacturing sector.

Another problem is with the structure of the labor market. The rapid decline of the nondurable goods industries and their replacement by high-technology durable good industries has created a skill mismatch within the labor force. This breeds a situation where the manufacturer cannot fill his employment needs, even though a substantial portion of the labor force is unemployed.

The Region's vocational training institutions have not been able to retrain the unemployed labor force for jobs in these new industries at a pace rapid enough to respond to the demand. As a result, numerous opportunities for employment and industrial expansion have been lost.

Although manufacturing does maintain a key position in New England's economy, its importance to employment has been diminishing. In 1975, 28 percent of the employed labor force was in manufacturing, down from the 39 percent portion it held fifteen years earlier.

On the other hand, some of the losses have been dispersed into the service-production sector, now encompassing 72 percent of the employed labor force.

This increase in proportion, however, is due more to the persistent state of the manufacturing-sector decline than to the dynamism of the service producers. Between 1960 and 1974, the service producers increased their employment by 52 percent, but this growth was exceeded by the national rate of 56 percent.

There are two major reasons why the New England service-production sector did not match the national growth. The first is that the Region's income has not increased as fast as that of the Nation. Since 1960 the per capita income for the Region increased by 270 percent compared to a national increase of 291 percent. This influenced a 6 percent decline in the per-capita income advantage that New England had over the nation in 1960. Even the 3 percent advantage in the per capita income that exists today is due, to a large extent, to transfer payments. In 1975, 15.1 percent of the New England per capita income was in the form of transfer payments compared to 13 percent national advantage. Only Connecticut had a percentage below this amount, while Maine and Rhode Island could attribute almost one-fifth of their income to this subsidy.

If transfer payments were eliminated, most of the income advantage would disappear.

Therefore, residents of areas outside New England are beginning to earn the money necessary to demand certain services. Secondly, during the same period, New England's population increased by 11.5 percent, compared to 13 percent for the Nation. This was due in part to lower fertility rates of New England residents; this results in a higher proportion of the people living outside the Region. The combination of more people with more money living outside New England is the basic reason why the national service-producing sector grew at a higher rate than in New England.

There are three major components of the service-producing sector–finance, insurance, and real estate; services; and government–all of which have demonstrated strong growth in New England.

I would like to summarize some of the trends in this group of industries.

The finance-insurance-real estate industry is significantly export based and particularly strong in New England. Boston, Massachusetts, is a worldwide center for investment management; and Hartford, Connecticut, is the home office city for several giants of the insurance industry.

This industry has grown steadily over the 1960-1974 period. However, in 1975 it declined slightly due to the recession.

Banking, in particular, is heavily dependent upon the local economic performance. Though many of New England's largest banks are active worldwide, much of the banking industry employment is in the smaller banks that accept deposits from and lend to local private citizens and businesses.

Many components of the service industry are export-based and contain the most sophisticated activities in the economy. These components include medical and business services, private education and research and consulting firms which are assisted greatly by their juxtaposition to the major universities in New England.

New England's human resources, especially in the major metropolitan centers, yields a high return and even in less prosperous years is in high demand.

The industry also contains many retail-like services such as automotive repairs and personal care.

Government as an industry is usually not the object of development efforts. However, this generally masks some of the real opportunities for economic stimulus. New England, for example, is competing heavily to become the location of a solar energy research and development facility that will be constructed by the Federal Energy Research and Development Administration.

The Department of Transportation Systems Center in Cambridge, Massachusetts, is another example of government activity that harmonizes well with the surrounding economy, and must be considered part of New England's economic base.

Much of the growth in government employment over the fifteen-year period has occurred in State and local levels. This growth has been slower during the 1970's. Between 1970 and 1975, there was a significant increase in government jobs in the Region. However, the recent advent of budgeting crises on both State and local levels indicate that little growth is forthcoming.

The contract construction industry is still suffering from the large losses inflicted by the recent recession. The nature of this industry is such that its expansion is directly tied to the expansion of other economic areas. This concept indicates that this industry may remain depressed for a significant length of time even after the rest of the Region's economy recovers.

While non-agricultural industries comprise the vast majority of employment in the Region, there are a number of local areas where the economy is heavily dependent upon fishing-related industries. In the past, this industry thrived. However, the arrival of large foreign fishing fleets has seriously depleted the resources of one of the most productive fishing grounds in the world, the George's Banks This reduction in resources has decreased the productivity of the region's fishing fleet, which is now unable to compete successfully with foreign fleets. This has led to a general decline of this industry which has perpetuated the use of outmoded equipment and techniques and has all but eliminated the industry's ability to attract necessary capital for modernization.

Basic to the revitalization of this industry is the recovery of the fisheries resource upon which it depends. With the failure of the International Commission of the North Atlantic Fisheries–ICNAF–to formulate effective measures for holding down the total catch to a level that would permit the resource to recover, other avenues have been rigorously pursued in recent years.

Consequently, by 1977 a unilateral 200-mile limit will be established by the United States. This action would place most of the offshore fishery resources under the management jurisdiction of the United States. While it is unreasonable to expect foreign fishing will be totally excluded, it is likely that New England fishermen will be given an opportunity to take a larger share of the allowable catch.

During this presentation I have alluded to the causes of unemployment. Let me summarize the recent trends. From 1960 through 1970, unemployment rates in New England and in the Nation were relatively similar. In fact, the annual absolute difference, regardless of direction, was only by one-fourth of 1 percent. However, in 1971, New England's unemployment rate rose even more sharply than the Nation's, and in this year there is still little sign of the Region's rate converging with the Nation's.

Before discussing future projections, I would like to summarize what has been said.

Because New England emerged early in economic history of our Nation as the center for industrial production, much of its capital stock is now obsolete and outmoded. Much of the once dominant traditional nondurable goods industries were replaced by a complement of high-technology industries that depended on Federal space and defense programs for most of their growth. This dependence was a major reason why the 1970 recession had a larger impact in New England than in the Nation.

The Region's economy was just beginning to recover when it was met with the energy and transportation crises. These severe hardships were further compounded by the recent recession.

The result of these three economic traumas was a record high unemployment.

Today, the economy appears to be improving. Current forecasts indicate that the next eight quaters will be a period of slow but steady growth, provided, of course, that no new economic hardships appear.

While the pervasive and number of economic problems will require attention from government for many years, the plan revision is primarily concerned with the developing programs to alleviate the extremely depressed condition of the current New England economy. The plan revision contains projections for the ten-year period, 1975 to 1985. The short-range projection concentrates on unemployment and was undertaken to restore parity of economic well-being between the Nation and New England.

Long-range projections were to estimate the probable course of employment and population, if certain currently discernible trends, affecting the economy and demographic make-up of the Region, operate in ways that may be deduced from facts as we know them today.

This helps in the formation of estimates of how much a solution to New England's economic problem may emerge from natural development, and how much will be required from government assistance.

Here are the Commission's projections on what the New England economy can expect over the next ten years.

By the end of 1977, the unemployment gap should be reduced to 120,900 persons, from the 169,200 total experienced in the beginning of 1975. Total non-agricultural employment should enjoy an 18 percent increase in 1985 over the 1970 level. Most of the increase will be in non-manufacturing, which should experience a 33 percent growth rate over 1970. The manufacturing sector is expected to show a 13 percent decline during this period.

The largest growth is projected to be in the services industry within the non-manufacturing sector.

Between 1978 and 1980, employment in the Region is expected to grow at a rate of 35,000 jobs per year, which is expected to increase to 70,000 per year from 1980 to 1985.

New England's population is expected to increase slowly over the next ten years. By 1985, 12.5 million people are expected to call New England home. This is a projected increase of 385,000 people.

Current reading of the future indicates that social and economic change may treat New England less harshly than the recent past. If so, these projections will be judged overly conservative at some point in the future. However, there is no escape from the need to frequently revise population and employment projections if they are to serve as an adequate basis for the program formulation.

As a final note, I would like to emphasize the fact that New England has not assumed a wait-and-see posture. Both private and public sectors are working to find and implement methods of stimulating the Region's economy. All of those concerned recognize that the key to the recovery and growth is the private sector, and have directed their remedial efforts accordingly. Thank you.

(See pages 46-50 for charts.)

Economic Development Program

Dr. McINNIS: Before summarizing the programmatic responses to that economic analysis, there are a couple of things I guess that are worth keeping in mind.

Again, the reminder that since 1972 the Commission has reorganized into the three areas: economic development, energy, and transportation. Included in that reorganization was a work program that was designed to further diversify the Region's economic base, to expand employment, to assist in supplying energy and transportation services, and to increase the capability, most importantly, of the individual State governments to carry out programs of economic and physical planning, programming and management.

Further, the Commission declared that the program should represent a balance between projects dealing with immediate crisis conditions, like the energy shortages, transportation, base closings, but also that some of the projects should be designed and aimed at longer-range economic development impacts—so, again, a balanced program.

The Commission also established a series of criteria by which proposals were to be judged. The proposed project should have a definite regional dimension—and even more recently that definition of regionalism has been defined further, that a project have impact on all six States as a first priority, on three or more States as a second priority, and only as a demonstration project have impact on a single State as a third priority item; that, further, the projects should demonstrate they have taken into consideration the quality of the environment; and, most importantly, given the limited resources of the Commission, they should avoid duplicating the efforts of other appropriate agencies.

With these Commission goals in mind, I would now like to move on the presentations by the individual program directors.

The economic development program goal is to provide assistance to private organizations that employ members of the labor force, to increase their number and size, and to support public organizations that are working to improve the performance of the labor force and private business firms.

Its more specific objectives include the following:

1. To encourage entrepreneurship in the Region by providing both financial and technical assistance to business firms.

2. To support industries with potential for recovery and growth, i.e. the fishing industry being an example of that.

3. To assist urban and rural communities to induce local economic development.

4. To support policy studies.

In order to achieve these objectives, the plan revision outlines several economic development projects. The first of these emanated from the capital and labor markets' task force report. That report made a number of recommendations addressing capital and labor needs in the New England Region. To implement some of these recommendations, the Commission moved ahead and set up its capital and labor markets project.

I would like now to introduce Denman Van Ness, the director of the capital and labor markets project, to give you a brief review of that project.

Capital and Labor Program

Mr. VAN NESS: Good morning. Because much of the capital and labor markets project development has come since the plan revision was put together, I thought the best thing for me to do this morning, in terms of a formal presentation, would be to try and tell you what the project is all about, where it came from, and where it is going--and then, to the extent that there are disagreements and questions, we can get into that during the question period.

To understand the capital and labor markets project, we first must understand the nature and function of the Commission's task force on captial and labor markets. That task force, which developed from a private-sector offer to be involved in assessing and solving the Region's problems, was multi-sectional and blue-ribbon. The membership of seventeen represented leaders from the business, financial, public and organized labor sectors of the regional society.

An important element found repeatedly in their report was the realization that their various interests centered on the requirement of a healthy economic base for New England allowed for and even demanded a much more collaborative outlook than commonly believed. Their mission was to suggest policy recommendations to the Commission designed to alleviate bottlenecks in the Region's capital and labor markets. This approach focused on the structural realities of these two vital elements of any economy, and resulted in broad policy recommendations designed to lubricate their various moving parts rather than to invent a whole new engine.

The Commission, having accepted the task force report, recognized that little would be made of the recommendations without a dedicated implementation effort. Accordingly, a search committee was formed which eventually hired me to direct the project. In capsule

form, my background includes three years as a line officer in the Navy, an MBA from Harvard, four years as a commercial loan officer and private investment arranger for high-growth companies at a major Boston bank, and a year as assistant treasurer of a rapidly growing $60-million sales-level multi-national high-technology company, headquartered on Route 128.

I hired as an assistant project director a woman with experience as an educator, as an administrator of a non-profit business, and as a client of the Massachusetts employment service. The two of us are the entire project staff and we work under contracts with fixed-expiration dates.

Thus we have a project with a real time frame. It is not an inflexible time frame, but it reminds us that our purpose is to move deliberately to implement the recommendations rather than to anticipate a prolonged period as staff members of the Commission. It does not require us to have everything finished before we become superfluous to the Commission, for that would be absurd, given the nature of some of the recommendations.

What it does do is force us to act in conjunction with the needs of the Commission by designing and launching the best programs possible without undue delay and without eating up a substantial portion of our funds in purely administrative costs.

The perspective which the project staff maintains is to seek out the best long-term solution to the complex problems dealt with, as we see it, and then to organize that solution and present it to the Commission with a request for the funds required to carry it out. Our focus is to use the time and expertise we have to design the Commission's response and to actuate it, but not to build ourselves into the long work then required to bring it to a conclusion. By sticking to a pragmatic view of alternative possible solutions to the problems, and by being goal and not process oriented, we feel we can contribute to long-term solutions with a minimum necessary use of scarce Commission funds, within our relatively short life expectancy at the Commission.

What is it, then, that we are working on in this fashion? Most of you have received copies of its report, which was published a year ago. That report presents an overview of the regional economy as perceived by the task force members and presents their consensus solutions to the structural problems which they identify in the form of twelve recommendations.

As would be expected from a blue-ribbon group, and true to their mandate from the Commission, their recommendations were of a broad policy nature and covered a wide sweep.

In summary form, the twelve recommendations were: To make New England labor markets work better, they recommended a comprehensive labor-market demand-and-supply study to identify specific occupations in which labor-market shortages are likely to occur and launching of a major informational program emphasizing the visible career ladders in these occupations.

They recommended a skilled-worker development financial loan program to attract workers into the critically short emerging occupations.

They recommended a greater coordination of the six divisions of employment security job banks within the Region, especially where labor-market clusters crossed State boundaries. Also a viable mechanism to forecast emerging and declining occupations, and the coordination and dissemination of this information among the Region's vocational-technical schools was recommended. A journeyman's advisory council drawn from representative skills to advise the Region's vocational-technical schools and a transportation-to-work program for labor-market clusters where travel distances and lack of

transportation facilities restrict workers to specific locales were two labor-market recommendations.

To make New England capital markets work better, a broad-gauged informational program that forcefully favors economic growth was suggested; a capital budgeting and financing program for small and medium businesses to be taught in the Region's publicly supported business schools was recommended; and the expansion of the concept of the Vermont Municipal Bond Bank and the Maine Municipal Bond Bank to the remaining New England States was suggested as a means of freeing up the capital flow to smaller municipalities.

In addition, a change in Federal tax regulations to spawn and accelerate expansion of new technical enterprise development was proposed, and it was recommended that the Connecticut Product Development Corporation be expanded to operate in the New England States–I will get into that if you are not familiar with that particular operation. Lastly, a privately financed regional fund, the New England Capital Corp., to supply long-term–meaning ten to twenty years–debt capital to established, profitable, sound, and growing New England companies at competitive costs was proposed.

Almost literally, if you insert the word "implement" before this list of recommendations, you have my job description on a contract of one year's duration. With such a formidable list of tasks, the project is organized into phases and the tasks divided between my assistant and me.

Although it varies a bit from sub-project to sub-project, we have basically organized each task into three phases, each phase of which is dependent upon the result of the previous phase.

Phase one is investigative. What is the true nature of the problem addressed and where are the pressure points which might be subject to action?

Phase two is design conceptualization, organization and orchestration of the proposed remedial program, if any.

Phase three is arranging the mechanical implementation of the programs which survive phases one and two.

Throughout this process I have retained primary responsibility for the capital-market programs and my assistant, under my supervision, is primarily responsible for the labor-market programs.

Phase one is now completed, and it occupied the time from May to October. During this period we have researched and explored the areas cited as problems by the task force and have attempted to sift with two screens, one which attempts to identify practical solutions to real problems, and another which the Commission is adequately positioned to deal with.

In following this course, we have met with the New England FRC and with regional directors and staff of most of the related Federal agencies, plus non-government people active in the areas of interest.

We have appreciated the input and interest of all of these groups, and it is from them, really, that we have fashioned our implementation program.

In some cases we feel that one program addresses more that one task force recommendation, and in some cases we feel the task force recommended action which we are not prepared to take.

What follows, then, are the implementation responses we are making to each recommendation.

To the recommendations to launch an informational program favoring economic growth, and to change Federal tax regulations to spawn such growth, we make no programmatic response. These may or may not be laudable goals, but meaningful action on them falls outside of the scope of the Commission and would be best approached by the efforts of each individual Commission member, as he or she desires.

To the recommendations regarding the expansion to other States of municipal bond banks and the Connecticut Product Development Corporation, we have responded with a program of State capital-market coordinators. In this effort we are acting as a catalyst and organizer to help the States take a coordinated, detailed, and mutually supportive look at various State-level capital programs, so that each State may consider a comprehensive program of mechanisms suited to its particular needs, while being mindful of whatever regional responses develop from this project.

To the recommendation regarding educational help for small and medium businesses, we have found that a myriad of educational consulting and aid programs exist throughout the Region of varying quality and with varying sponsors. Accordingly, the problem seems less one of inadequate sources of help, than inadequate outreach by these sources, particularly to the managers of our smaller businesses, and the confusion which such a plethora of aid opportunities creates.

Our response to this situation has been to ask the Commission to fund an innovative and effective program of local-level business information centers which help the business managers sort out what help is needed and point that manager to the best source.

This concept originated in the urban affairs section of the Boston Federal Reserve Bank, and has the support of the SBA in Region One, among others. The Commission members now have this proposal under consideration for probable decision at their next meeting.

To the recommendation to establish a privately financed New England Capital Corp., we have responded with an active effort as catalyst. Phase one of that sub-project, which was recently completed, established that there are indeed some structural gaps in our capital markets which prevent access by a large proportion of our Region's businesses to an adequate and reasonable supply of capital. It has been noted that this is not a capital shortage problem so much as a structural capital channeling problem. It has also been noted that the magnitude of the problem is not nearly so great as the task force assumed, but it is substantial enough that an organized response is desirable.

Accordingly, this project is helping the private financial sector devise the most practical and efficient solution, which may or may not turn out to be a new institution called the New England Capital Corporation.

In the conduct of our investigative program, two important consultant reports were prepared, one dealing with the existence and nature of structural gaps in the capital markets and one with the make-up and nature of the New England business sector. Copies of these reports are available; you may pick them up here if you wish at the end of the day.

The recommendations for a labor-market demand-and-supply study and for a mechanism to forecast emerging and declining occupations overlap. They also, we feel, highlight an area of great importance. Our response is now in its formative stages of phase two and may well prove to be the single most important item on our agenda.

We are organizing and kicking off a multi-agency and multi-year project to design a labor-market information system which will build on the existing system but which will also provide meaningful occupational supply inputs which will then allow for useful assessment of which are the emerging and declining occupations. The project will be structured to design, then test at a state level probably, redesign as necessary, then implement on a regional basis such an informational system. It will include the requirement to provide for the effective dissemination of its results and should prove invaluable to serious efforts to plan training programs, evaluate career education programs, provide career counseling, and conduct meaningful economic development planning.

With such a wide potential impact, involving so many different agencies, the program from its outset included State, regional, and even national level-offices of several Federal agencies, and has been aided by the coordinating facilities provided by the New England Federal Regional Council. The intimate involvement of these agencies is especially important, because most of them are already in the business, so to speak, and because the Commission is neither staffed nor operated to effectively conduct such a program by itself.

The recommendation to create a skilled-worker development financial loan fund strikes a very responsive chord with us. The problems facing a mid-career skilled worker, who recognizes the need to shift occupation to avoid unemployment, is especially acute. Unfortunately, the Commission lacks the budget, staff, and mandate to remedy the situation, which is really a function of our national unemployment, employment and training programs. With that in mind, we are preparing background papers and suggesting possible positions Commission members may wish to adopt regarding CETA in conjunction with professionals in the field from the Region.

To the two recommendations regarding greater coordination of the States' job banks and the formation of journeymen advisory councils, we react with a no-action statement for the Commission to worry about. Journeymen councils already exist at the national, State and local levels, and while the Governors may wish to examine how effectively they operate, it makes no sense to create a new but redundant body.

Under the able leadership of Mr. Supolveda and the State administrators, we perceive the employment services as steadily improving their capabilities, and, in any event, effectively beyond the singular control of the Governors, due to the Federal measurement and funding of their operations.

A demonstration transportation-to-work program, funded by the Commission, has been successful, and we react favorably in concept to the task force recommendation in that regard. Such programs appear to have a fairly specific set of conditions required before they can be effective, however, and since none meeting those requirements are on the table at the moment, we are left in the position of commending them to the Commission and recommending that it be prepared to fund the start-up of such programs which meet the criteria as judged by the director of transportation and the director of economic development.

In summary, then, this project is attempting to launch pragmatic solutions which will create long-term benefits for our Region and which are realistically within the capabilities of the Commission to complete. With a firm belief that the magnitude of money thrown at a problem is no measure of the worth of the solution,we have concentrated on what needed to be done and what it might reasonably cost.

Having completed that process and with the current funding levels of the Commission occasionally a dampening factor, we find that the entire project carries a budget of

essentially one million dollars, which we have requested. Due to our catalytic role in the cooperation of other agencies, we expect to get a great deal of mileage out of those funds.

That is the overview of the program and we can get into details later.

Irene?

Dr. McINNIS: In the interest of time, I am just going to very briefly hit some of the other areas in economic development because I want to get us on to transportation and energy, who are waiting patiently in the wings.

The other programs, as you read throughout, I am sure, in the economic development section, cover community development programs, tourism and recreation, fisheries programs, and a general economic study or updating of economic data. In each case, I think a word of warning is that these—any one of them—could not be done by the Commission itself—with the fishing projects we work very closely with the National Marine Fisheries. As the Regional Fisheries Management Councils get more in place, we will be working very closely with them as well. Similarly on tourism and recreation, there are Senate Committees' studies here in Washington, and we have been working very closely with ADL which is doing the study on how we can do more in New England in that area.

So each one of these we look upon as being a catalyst and a complement to programs that are being conducted both at the Federal and at the State levels, so that, again, it is not the Commission totally taking it on.

So with that, Mr. Federal Cochairman, I turn it back to you. Thank you.

Mr. MERRIMAN: Thank you very much, Irene, Dennie, George.

I probably failed to introduce everyone who is here. Ray Anderson, the Federal Cochairman of the Upper Great Lakes Commission, is with us. I understand there is a representative of the General Accounting Office, is that correct? Welcome. And the Commerce budget office?

Is there anybody else I haven't introduced?

We will proceed now and get into another area in which we have done a lot of work in the past. We really got into it before the energy crisis hit us in New England. I would like to introduce Tom Fitzpatrick, the director of our energy office.

Tom?

Energy

Mr. FITZPATRICK: Actually, I didn't realize my collegues were as verbose as they have been—they have done very well—so I will try to skip away from some of my prepared comments and move a little more rapidly perhaps.

Let me tell you what I want to do first of all. You have in the plan before you, I believe, four projects in energy. Those were drafted almost a year ago, and I want to comment—I will go over them very briefly—because they have been affected already by the review process and parts of them have also been overtaken by events.

I would like to spend a little bit more time, however, on the reasons for an energy program and a description of the overall program, which was not really included because of the already bulky size of the document. So we can put these things in a little more broader perspective than what you might have seen right in the plan itself.

First of all, I would like to say that I thought the comments I read on the energy section were really well-taken and very useful.

The first project was energy recovery. That is still in there, and it comes out of the policy statement I will refer to a little bit later that the New England Governors have adopted on energy.

The solar energy development—we are proceeding slowly with that. That comes out of the policy statement also. The attempt there is not to duplicate anything that anyone else is doing, but rather to build on it and take advantage of work other Federal agencies are doing—ERDA, NBS, and so forth—and to speed up commercialization and development of a solar energy industry in New England. We think that is very much in keeping with our kind of technology and our interests in energy. It looks as though the program will probably be two-pronged right now—this could change—to do more in the way of public education and encourage a market out there,, and perhaps build on something that NBS and ERDA are doing at the University of Connecticut right now, in terms of product testing and certification. This could be very useful to developing industry.

On the winterization program, this has been overtaken by events. The Commission has put two million dollars into it, primarily, to fill a gap in existing Federal programs; the programs are there; there was a funding gap; the Commission stepped in to provide jobs, reduce fuel costs, and energy consumption—and that is ongoing right now.

Also, it wasn't just a dollar gap; there were some limitations on how Federal funds could be used. Our funds were a little more flexible in that regard.

On the hydro-power reclamation, that was put in, I will admit, with inadequate input from some of the other agencies. It was before the New England River Basins Commission made its program in this area known. What we had proposed was somewhat different, because we had a successful small hydro-demonstration project in Vermont, and there seemed to be increasing pressures for these small hydro-projects that might not find support elsewhere. However, Governor Dukakis, as State Cochairman of the Commission, has endorsed the River Basins Commission proposal which is before OMB right now; we would like to see that get going; and we will continue to work with the Corps also.

With that as background, I would like to jump into some of the things that interest New England, particularly, in energy. Very briefly, it is not a new concern; it goes back to 1969. About a year and a half after the Commission was established, as one of the priority programs, we got into energy. With high electricity rates and a somewhat inefficiently organized electric utility industry, the Commission played a role in the FPC's ordering the New England utilities to organize into a power pool—I won't dwell on that right at the moment.

In 1973, even though we had a small semi-autonomous energy program going, the Governors and the Federal Cochairman had foreseen—this was before the embargo—a major need on the part of the Commission to address energy. No one else was doing this; there was no Federal agency except for the FPC and some work at DOI, but that didn't really affect New England at the time. Of course, there were a couple of Corps projects that had been pending for a long time, but they were on a back burner.

So what happened and why did we get into it? Let me show you just a few charts here.

Red is oil, different products of oil—this is New England, that is the rest of the United States. Now, when you have your supply threatened or you have drastic price increases in one product, namely, the one in red here, somebody is going to be hurt—and that indeed did happen—particularly if the prices and the supply come from a source over which you have little or no control.

And as you can see from the next chart, this much of New England's oil is imported. These are '74 figures, I believe—they are still essentially the same; there have been some minor changes. In fact, our really single major goal in energy in New England is to reduce this and reduce the red on the other chart. You can see here disparities will occur when you have price differentials—and this is what happened to some of the prices; these are what the utilities are paying for fuel; how some changes occurred over a short period of time. As you will recall, we were relying very heavily on petroleum, particularly our electric utility industry.

That results in that kind of disparity between the regions.

The middle Atlantic is somewhat like us in its reliance on petroleum, as these areas are here. These areas tend to rely on natural gas and other fuels and hydro-power.

Mr. KUBLAWI: Excuse me, Tom, I didn't understand that chart.

Mr. FITZPATRICK: This one?

Mr. KUBLAWI: Yes. That is what it cost New England per—

Mr. FITZPATRICK: Per million Btu's; that is fuel delivered to utilities—it is not all energy. This was easily measured.

You see, the oil up here, as opposed to coal and natural gas, which is very low cost, as you know, with the regulation on natural gas.

I am not trying to present a comprehensive—but just a rundown; I brought a few charts that we do use for some of our talks.

This is how certain industries were affected by higher electric-energy costs—out of total manufacturing costs. This is September '73 to September '74, the changes that took place. This is a percent of total non-agricultural employment. So we are able to measure which industries are being hurt the most.

These are where energy costs went up more than 100 percent in certain industries. Again you can see why we are concerned.

Okay, those are just some brief illustrations.

We also, I might say, just did an analysis for the Governors and the Federal Cochairman on what proposed OPEC price increases might mean to New England. And we presented that to them at the last Commission meeting.

Why do we do that? Well, just let me give you a couple of examples. Why were these of interest? First of all, the increases in oil prices have a dramatic impact on State budgets, local government budgets, and therefore are of considerable concern to us.

It can be a signal that increased efforts in the area of energy conservation have to take place and gives weight to the argument that we bring to Washington that certain price-equalization efforts to the entitlements program, for instance, have to occur so that one region is not disproportionately injured.

Now, very briefly—this is old and we have changed it a little bit—these are our general objectives of the energy program:

Concerned about energy supply for obvious economic development reasons; low energy cost, as low as possible, for those reasons. We want it equitable so we can remain competitive with other regions of the country. Of course, we are very much concerned about efficient energy use and energy conservation. There really is another item that belongs on there and this is to make certain we have an adequate energy infrastructure to deliver all the energy we do need now and in the future.

As I mentioned, the Governors about a year ago adopted an energy policy statement. The main thrust of that was to reduce the Region's dependence on oil by 20 percent by the mid-1980's. It did touch on conservation, nuclear energy—you may be surprised to find out that New England is the most nuclear Region in the country; in the past twelve months 29 percent of our energy came from "nukes," electrical energy.

Outer Continental Shelf development, coal conservation—we are hoping that we will be working with our counterparts in the Appalachian Regional Commission; they have had studies on the utilization of their coal resources, and those studies have indicated that one of the prime targets for marketing coal is the New England utility industry.

The policy statement also addressed hydro-electric and other indigenous resource development and alternative energy sources.

Very briefly, I will describe the kind of program we have. We have an energy management information system developed in conjunction with M.I.T. and I.B.M.—and this is a unique, innovative kind of computer facility—I won't get into it, but you are going to be hearing more about it in the future. It is an excellent resource for analyzing energy problems and for assisting States in their conservation efforts—I could go on for quite a while there.

We provide the States with energy capability grants. Energy is a new game for State governments. They have only been in it a couple of years, and they still need support to develop the kind of planning, programming and policy development and actual operations that they should be into.

We assist the public utility, the regulators of the public utilities, addressing some of the new rate structure questions which could affect industry and commerce significantly; peak load management, again which could affect them; and to address the regulatory lag problem, to speed up some of these nagging questions that remain unresolved for months and sometimes years.

We have a modest program now—it was considerably before anyone else was doing anything—in reviewing Outer Continental Shelf development. We do not duplicate anybody else's work, but we do move in on selected issues where no one else seems to be addressing things. We were, I think, one of the first in the Nation to identify the areas of interaction between the fishing industry and the petroleum industry in Geroge's Bank. Fishing is very important to New England, petroleum very likely and gas, natural gas, and the Outer Continental Shelf may become very important. We want to identify potential conflicts and try to resolve those so both industries can prosper out there.

We have an energy conservation program; we assist the State efforts; we have developed some educational efforts on our own that are being very well received.

I have discussed very briefly our solar program. We have done some demonstrations—I mentioned one hydro, we have done some in solar before ERDA and some of the other agencies were out there doing things—solar, biomass, wind, and energy conservation.

One of the things that—we have a small energy staff—we spend time on is legal, economic, and technical analysis of Federal programs, pending legislation, and regulations. We have done the basic supply-demand—energy supply-demand balances work for New England. We did the basic work in economic and environmental impacts of Outer Continental Shelf and petroleum development and natural gas development in New England. Other agencies are now building on that work.

We have done analysis of the energy-facility siting process in New England, which really brought everything together, and now the Federal Regional Council is building on that, trying to reduce the conflicts. We are sort of the catalyst in a lot of these areas; we start things and then we spin them off and other people pick them up.

We have done probably over two dozen full reports and probably another dozen special impact analyses.

One of the biggest things—and I am nearing the end here—is our coordination efforts. We spend a great deal of time working with other agencies; we should do more. I don't know where the time could come from actually—we seem to be at energy meetings most of the time. We do have monthly meetings with the State energy offices; we require that of them as part of the support we give them. Reasons are basically three: to get their input into our projects—we are not an operating agency, so if our work is going to be useful, it has to be useful to people who can do something with it. So we want constant input from them.

Our meetings are the mechanism for information exchange among the States on energy issues. We use them for policy formation—we try to identify those areas in which we all have a common purpose and a common interest to see if we can pull together so the Governors can take a position, or the energy offices, whichever is appropriate, and, when necessary, come down here to Washington and make our thoughts known.

As part of this effort, we have had working sessions—the Governors have also had—with Frank Zarb, for instance; we have had Chairman Dunham of the Federal Power Commission in attendance at our meetings. We find this very useful.

We have been working with the energy development task force of the Federal Regional Council in Region I. We have excellent relations with Ken Wood from FEA who is responsible for that. ERDA is developing its intergovernmental relations. We work with the River Basins Commission. We have a project right now—which we have been asked to get involved in—with the National Governors Conference and the Nuclear Regulatory Commission. We are constantly involved in those kinds of interactions among the agencies.

We also convey all of our work to the New England Congressional Caucus—we find that a very important place to focus our work and attention. And, of course, with the Caucus is the New England Economic Research Office.

We also have a very good working relationship with industry. We are invited—have a standing invitation—and participate in the New England power pool meetings, their planning meetings, load forecasting meetings.

We are in constant communication with the New England Fuel Institute, the Gas Association, the American Petroleum Institute, and so on.

Well, I think with that, I will wrap up—time is running on. I will be glad to answer any questions later, and, as I said before, I thought the comments that we did receive were excellent and constructive and we appreciate them.

Mr. MERRIMAN: Thank you very much, Tom. The emphasis that the Commission put on the three areas that we are concerned with—energy, transportation, and economic development—all seemed to fall on us at once. Transportation has been a problem in New England—continues to be a problem—and, all of a sudden, we were confronted, as was mentioned earlier, with the potential bankruptcy of some of the country's largest railroads which serve New England.

So we do have a very strong program in that area, and at this time I would like to introduce David Stein, our transportation director.

Transportation

Mr. STEIN: Thank you, Russ. I will try to be brief. Much of the material that is relevant to this is already included in the plan. I think everybody is aware that the Penn Central went bankrupt; likewise our own local regional carrier, the Boston & Maine, went bankrupt in 1970. These are the two major carriers serving New England; they provide the only gateways between New England and the rest of the United States, unless one is prepared to use Canadian routes which involve considerable detour; and it was quite clear that something had to be done.

This did appear to the Commission, even before I came in early '74, to be the major focus of the transportation program. They had had a rail office funded through the Commission, but exterior to it, in years before. In 1973 it was included in the Commission's formal structure, and we have been working ever since to relate specifically to the problems of the freight railroads as our single most important concern. Of course, other areas of transportation have taken our attention as the need arose.

We were active, very active, in working on the various elements that became the legislative program which resulted in the Regional Rail Reorganization Act of 1973. Working through that planning process, we as a group—not only the Commission's transportation program, but in very close working relationship with each of the six State transportation agencies—supplied input to the United States Railway Association, US DOT, the Federal Rail Administration, and our Congressional delegation, leading up to the reorganization of the Penn Central in the so-called ConRail legislation of 1975, the Rail Revitalization and Regulatory Reform Act.

We have also taken an active role in promoting passenger service. We, I think, played a somewhat instrumental role in the institution of the Boston-to-Chicago service, which despite the fact that it takes six hours longer than it used to take under steam back in the '40's, is one of AMTRAK's more popular trains. We are building up to play a substantial role in the development of the northeast corridor between Washington and Boston, a program which looks to invest almost a billion dollars in rail facilities in New England. We believe it is not only money well spent but will provide a great stimulus to the New England economy at the same time.

We have also been involved in problems of air service. We have a declining number of national carriers serving New England, declining number of points which they serve, continually backing out of the more remote rural districts of New England. We are attempting to find means to interface with the national policy on support of local air service. We have undertaken what is perhaps unique in the area of intermodal goods movement. Following on a national study performed by US DOT, we have attempted and

are in the process of completing our recommendations on looking at the application of that kind of a national program to a specific region. We enabled the States over the years to perform rail planning at a time when it was mandated by Federal law—and yet there was no funding available to support such activities. This helped the States play the active role that they did in the reorganization of the Penn Central.

We have also been involved at times in the problems of rate cases before the Interstate Commerce Commission. In one which affects the agricultural industry, we have supported a case by the New England Feed and Grain Association alleging, I think correctly, that the rates paid to New England were substantially higher than those paid to other areas of the country on a per ton-mile basis—that case is now on appeal.

But, as I mentioned, our major focus has been on the role of the freight railroads to New England's economy. There are a few points which I think I should make in order to explain how our present focus has come about.

We discovered, by analyzing the movements of commodities in New England, approximately 25 percent of all the jobs in New England depend in some measure on the existence of rail service, and that the loss of that rail service obviously would be catastrophic to the New England economy. We were not prepared to see that happen, and yet with 75 percent of our rail service performed by bankrupt carriers, that was certainly a possibility.

We have had to look at specific lines, through branch-line analyses, to enable the States to determine which lines to keep as part of the reorganization of the Penn Central. We performed a substantial shipper survey, trying to understand what it was, from the shippers' point of view, that was needed. We felt rather strongly that the program that had been put forth in Congress by the Administration, which led up to the reorganization of the Penn Central, was inadequate to meet the needs, as we saw them in New England. We proposed on our own a substantial legislative initiative, which was introduced into Congress a little over a year ago by the entire New England Congressional Caucus, and most of the members of the New England Senatorial delegation as well.

While this has not come to pass yet, it is the subject of a major study now being undertaken by DOT, and we are hopeful that our thinking on this will lead to an ultimate sound solution to the problems of financing and keeping alive railroad companies.

However, in the interim, while waiting for a national initiative, we have not stood by. We undertook a major engineering survey of the condition of rail track in New England and determined that some \$260 million could be well spent simply upgrading track—this did not include signal systems, structures, bridges, that sort of stuff. While the Commission's resources were inadequate to deal with that magnitude of a problem, we did find a means to begin to make ourselves directly an actor in the rehabilitation of the New England rail system.

In March of this past year, the Commission voted to spend \$3,400,000 to supply funds to the railroad companies to hire labor to rehabilitate branch lines and main lines throughout the Region, with the railroads, supplying the materials, supervision, and the equipment required to perform the work. It is a very innovative program; it is unique nationally; the contribution of the Commission has amounted to some 40 to 45 percent of the total cost of the project. So we have succeeded in leveraging considerable funds even from bankrupt railroad companies in order to perform what is now amounting to about an \$8 million-a-year program of rehabilitation throughout the Region. This program has been extended for a second year at the recent Commission meeting, and it has received considerable recognition by various other States. I have received comments from other State rail planners

that they are interested in our approach and are looking at it as a possible means to help alleviate some of their problems where the Federal program for ConRail does not meet the needs of non-ConRail carriers—and there are many of those.

In terms of the focus of the plan for the future, we believe that the rehabilitation of the rail system is, without doubt, the single most important immediate action we can take. We have created a number of jobs, albeit small when compared to the total unemployment situation in the Region. This past year I had over 400 people working on the rail rehabilitation program—good jobs, well paid—and with a continuation of the program, these jobs stand to be permanent, if seasonal, type work.

We remain concerned about the interaction between transportation and energy, and are looking toward the development of a successful fuel-conservation-in-transportation program, working cooperatively with the energy program. We would like to continue our work in intermodal transportation. We feel that it is an important means of achieving not only efficiencies in terms of direct costs, but also in terms of helping balance the movement of transportation in our Region. One of the more curious facts we have had to work with is that, for instance, in the rail mode for every three box cars that come into New England loaded, only one leaves the Region with a load. The imbalance, obviously, is very serious and clearly was one of the causes of the bankruptcies.

We are still interested in looking at the rate structure. The Port of Boston, for instance, does not enjoy rate parity with the other Atlantic coast ports, and hence is at a disadvantage in dealing with shipping to Europe and the Far East.

We feel that in the long run a hard look will have to be taken at the relationship between transportation and land use inasmuch as it impacts not only energy conservation, but the actual sort of transportation at every turn.

The Commission's program essentially has attempted to step in where no adequate Federal program existed in the past or does not exist in the present. We feel particularly that our rehabilitation program has done this, our legislative initiative certainly fell into that line. We have tried to keep our program within the scope of the funding by the Commission, and it is some measure of our success in the rehabilitation program that we have, in transportation, over one-third of the Commission's total budget dedicated to that program.

But the real effort, I feel—and the plan seeks to address this—is in dealing with the structural problems of an economy in transition, which require policy and legislative initiatives to deal with ongoing problems which have not been addressed so far in the transportation legislation and programs coming out of the Federal and State agencies as of this time.

Obviously, we have to cooperate very closely with the various State and Federal agencies that we relate to in order to see this work moving on. The Commission has joined with the six States, as I indicated, in a cooperative effort to deal with rail issues and other transportation issues. We are a member of the National Council or National Conference of State Rail Officials, which is a new organization just set up under the auspices of the American Association of State Highway and Transportation Officials. And we do work very closely with both the Region I DOT office in Boston and the Transportation Systems Center, when this appears appropriate.

That, in brief, is an overview of our transportation program, past, present, and future. And I will be glad to answer any questions a little later on.

Thank you.

Mr. MERRIMAN: Thank you very much, David. Key to the development of this regional plan that has been alluded to as we have gone through is the role that the States play in the Commission activities. New England changed its method of operation back in 1973 when we redirected our program effort. We do not have an executive director as such, but the State Cochairman each year has a full-time representative on the Commission who is there every day. The Federal Cochairman and the State Cochairman act as the executive committee of the management arm of the Commission.

Through this effort, the State Cochairman's representative, not only representing the State Cochairman, but the other State members, we feel we have developed a very close working relationship with the States. If I may at this time, I would like to call on Tom Doyle, who represents Governor Dukakis this year, who is the State Cochairman.

Tom?

State Role

Mr. DOYLE: Thank you, Russell, On behalf of Governor Mike Dukakis, I want to give you the greetings of the Commonwealth. I got a call yesterday from Governor Grasso's office—as some of you may know, Governor Grasso will succeed Governor Dukakis as State Cochairman next year—and she also sends the greetings of Connecticut to the august body here.

Several people have said that they would be brief. I will be brief, and if that goes more than 60 seconds, you can pull me off, Russ.

Just a couple of comments. I think there has been a great collaborative effort on the part of the States working with the Commission, certainly working with me and Russ. I wear a couple of hats. I am the State Cochairman's special representative to NERCOM; I am also the vice-chairman of NERBC, the New England River Basins Commission. The reason for that was a strong desire on the part of the Governors, Mike Dukakis and the others, that we do have a greater kind of bridging with the agencies in the Region. In June they passed a motion at the meeting of the River Basins Commission, and they elected me as vice-chairman.

A couple of things I wanted to point out about that. We heard mentioned hydro-power studies, etcetera. Well, we were aware that NERBC had something in the mill on hydro-power, and you won't see NERCOM doing any study, assessment, or evaluation of hydro-power potential. That is in the realm of NERBC as far as the Governors and NERBC see it, and NERCOM agrees.

Recently, NERBC issued a report called the RALI Report, "Resource and Land Investigation," which the Department of Interior and other Departments were involved in. This was one of the finest documents of its kind in terms of giving the significance of on-shore impacts of off-shore oil and gas finds. It was released a couple of weeks ago.

One of the building blocks for that, initial building block, was something started by NERCOM. Tom Fitzpatrick and the energy office had taken a look at the George's Bank situation. So I just want to say that there is collaboration and cooperation.

I also chair the regional coordinators of NERCOM which are kind of the right arms of the Governors, and we meet every couple of weeks to review programs with the Federal members of the Commission. Glen Wilson is director of State planning from Vermont; he is here. It is people like Glen working with us, I think, which has led to these successes.

I would also like to mention one other thing. I see we have EDA represented here and SBA. We recently had a project in Gloucester to revitalize the fishing industry, and I thought it was a great partnership. NERCOM put up some money, SBA, EDA—and they are doing a great job. They have a revolving loan fund; Irene McInnis sits on the board of the loan fund. So if anyone has a fishing boat and they want a loan, go see Irene.

But these are just some examples of what is going on.

I would like to address one other point, too—maybe it will come up in the questions, so I will address it now. I heard, I think it was from the gentleman from SBA, ask about how NERCOM keeps on the right track, have they been audited by outside people, etcetera? Yes, they have in the past; but I want to point out—and I guess Bill Gildea has stepped out of the room—we do have a monitoring group. Don Dowd is here in case anyone has any questions. We try to keep a pretty tight rein on where our bucks go and if people are doing what they say they are doing with that money—if not, we take, I think, very appropriate action.

So thank you very much. If anyone wants to grab a cup of coffee, we can then, I guess, open it up to questions and answers.

Mr. MERRIMAN: Why don't we take five minutes?

[A brief recess was taken.]

Governor Thomas P. Salmon of Vermont makes a brief appearance during the proceedings.

COMMENTS BY FEDERAL AGENCIES

Mr. MERRIMAN: If we can, why don't we proceed. I understand it is proper to adjourn these meetings reasonably on time.

We did hold off on the questions. Why don't we start around the table, if that is the way you want to proceed, and your comments and questions in reference to the presentation and/or the plan.

Who would like to start off?

Mr. PITCHER: I will start off.

Mr. MERRIMAN: The gentleman from Labor.

Statement by Department of Labor

Mr. PITCHER: I might comment initially that I seem to spend a lot of my life reviewing the way various Federal monies are spent, and when I can sit down and deal strictly on a professional level with a document and not have to worry about gross quality problems, I know I have a good document at hand. This is the way in which I was able to approach this. It didn't have obvious glaring errors of presentation. So overall this is a very good document.

I have a couple of problems with some of the areas in the labor-market statistics. I got the impression from reading it—and maybe I am drawing the wrong impression—that you are not very optimistic about being able to work with CETA, CETA contractors. If that is so, then the whole goal of CETA has not succeeded, because the design concept behind CETA was to make it responsive to local conditions.

If you find you can't work with it, then you have got to get with us, and we have to sit down and talk about it, because that is what it should be able to do. CETA has some limitations: you can't give somebody a course in tool and die making; you know, you have people who have limited education; you have limited funds per slot. But if we can't get at the lower end of the skill spectrum in CETA-type programs in conjunction with whatever labor-market information you are able to develop, then we need to start thinking about that program, because that is precisely what it is designed to do.

The second comment I have is that there is a lot of talk about labor-market information systems. They sound very good in principle, but the information requirement is extremely high, and there is no convenient Federal base to develop that information. So you are really talking about having to develop a very large system for gathering labor-market information, and that might be a very expensive type of operation to put in place. I seem to run into this problem a lot.

There is another aspect to that problem and that is that the supply-and-demand conditions in a particular skill can change rather rapidly. You can go from a situation of shortage to surplus, and the reverse, in what is a very short framework. It is going to take us

a long time to gear down the system for training primary and secondary education, and that system is completely out of whack and has been so for about five years. That's a big system. If we talk about a little system, you have a problem.

So maybe we need to work at the same time on ways of being more flexible in providing our training, ways to tool up faster and to change priorities faster than we can now. We do have a very thin market and, you know, no matter how much information you have, even if you had a perfect information system, you might still have difficulty adjusting your supply and demand within the conventional framework. I am not saying you don't need more information—I think you do. I think it is going to be difficult. I don't think it is going to be something that is going to happen easily and readily. I am involved in trying to evaluate CETA participants, and that is a $4-million-a-year effort to talk just about the impact on participants; we haven't even gotten to the cost side, the cost-benefit side.

That is a good effort. We are going to find out something about CETA programs. It took us three years to get it off the table and about a million dollars in design work to get that kind of effort in place. So I don't think it is just going to happen; I would like to see it happen, but I think is is too difficult.

Those are really the two sets of reactions I have to the report.

Mr. MERRIMAN: Dennie, would you like to comment?

Mr. VAN NESS: Well, certainly in terms of the labor-market information system, I would share your feeling that it is a giant can of worms basically. It is precisely for that reason that in responding to that recommendation—actually two or three recommendations of the task force get lumped into that—that we have tried to go outside the Commission for help.

What we are doing here is working with BLS and with CETA in Region I, and with Department of Labor people from Washington. We have representatives of the E part of HEW from Region I. We are all trying to put our heads together and figure out the best carve-out to start with the problem. We don't envision having in any short period of time a full-blown here-is-the-answer kind of thing. It really has developed primarily in response to two conditions, one being people are fond of talking about the emerging and declining occupations and how do we train accordingly, and yet there is very little way to determine what the emerging and declining occupations are.

Then, secondly, the present occupational demand forecasts, which are published by BLS, have no supply component in them and hence are misleading to a lot of readers.

So the initial thought is that we are going to take a certain group of occupations that are probably more easily obtainable in terms of data than others, and try and get at least an element to the demand forecast instead of what is in the pipeline right now; here is at least a better measure of net demand in that occupation. Hopefully, it will be the starting point of what will probably be a very long and eventually national-in-scope effort.

Mr. PITCHER: I think that is the tack to take, to try and cut that problem up into a lot of small pieces.

Mr. VAN NESS: Yes, and our funds are the first stage of the rocket. We expect to draw in funds from other sources and other agencies. People have gotten very excited about this in your shop.

Mr. PITCHER: Well, I think it is a concept that we have had a lot of interest in. I think it is going to take a long time and a lot of thinking by a lot of people to make it work.

Mr. VAN NESS: Precisely, and I think it is much easier to get at that by taking—not trying to do something nationwide—a smaller regional program.

Mr. MERRIMAN: Is there any further comment? Why don't we proceed to the gentleman from EPA.

Statement by Environmental Protection Agency

Mr. BURKE: Okay. It has been a couple of months now since I prepared written comments on this, and I don't know whether events have pretty much overtaken my comments or not. I presume that the staff has read my comments that I submitted.

So if I have been overtaken by events, why, bear with me.

I was very much impressed with the assessment that was made of the New England economy; I really do believe that a good sound focus was made on the economy. You identified the problems very well.

I did have some second thoughts, though, on whether or not the program that was designed, the plan designed to overcome the problems that were identified, whether that program was persuasive. My impression was on my initial reading of the plan that it was not as—well, I was not persuaded that the problems would be overcome by anything that the plan was suggesting. Some of that concern has been alleviated today. I was very much impressed by the presentation on the capital and labor market developments.

But let me go on to confine myself essentially to that opening comment, to the environmental issues.

I was very encouraged to find that the plan apparently focussed on the environmental requirements very clearly. It recognized the importance of preserving the environment.

On the other hand, I didn't see anything in the plan that addressed the environment; it just seemed that it was recognized and then set aside—we have taken care of the environment, that's fine—and you went on and developed other things. Let me give a few cases in point for those who may not have had access to my comments.

In the discussion of the environment, it was pointed out that half the river miles were in violation of water quality standards. The cause of the violations are mainly major municipal and industrial discharges with inadequate levels of treatment. It was suggested that there was a significant shortfall in funding through 1983 to rectify the situation. Then that situation was left there; there was no further discussion of what the implications of a potential shortfall might be. I was left wondering whether, if there wasn't funding or the issues were not addressed more concretely than they were in the plan, we would have a serious environmental problem, notwithstanding the very lofty ideal set forth that we recognize the environment is very important to maintain.

One or two more points along this line. The text also indicated that the pollution control requirement by industry was considerable. I feel that this has to be discussed in further detail, because we have in the Region an industry characterized by obsolescence and other high costs. If industry is going to require substantial funding, as we think it will, for pollution control, and this funding is going to be difficult to come by, then there are some

implications there—the point being that one of the options of industry could be, given the pressures of the environment, to relocate. I don't think that is as pressing an option as some industrialists would have us believe, but it is still an option which I think should be discussed in more detail.

Somewhat on that same point, it is noted that pollution abatement requirements may result in significant localized job losses due to plant closures. This does suggest in the text some implications of considerable magnitude for the Region.

Our own experience at the Federal level in monitoring plant impacts indicates that this is quite extensively overrated. As I have been talking here, it occurred to me that I should present to the staff a copy of a report that we prepare quarterly on this, to familiarize you with the kind of monitoring that we do on plant closures.

The point is that you go on from there and indicate that retraining programs should be generated to offset this possibility of plant closure. I don't think plant closure possibility is all that great. I think there is good sound justification already presented here today for retraining because of changing requirements of the economy—the business community evolves.

But I think that the requirements of the retraining should be justified on legitimate grounds. I don't think that the case suggested here is a valid one—that massive retraining is required for plant closings due to environmental requirements. There are certain industries that are impacted more than others because of environment, but by and large the requirement is not that severe. The potential is always there, and the anxiety is very pronounced in business and government communities and the private communities. But it just doesn't come about. We have checked many, many times where we are impacting on an area—and we do very extensive analysis on the impacts of the regulations before they are promulgated.

Invariably we find after checking that the alleged plant closings due to environmental requirements are due to some other reason; invariably the kinds of reasons that you are faced with in New England—the changing market place, resources, high costs, labor deficiencies or something.

One final comment. It is noted that the problems of combined sewer overflows and non-point sources of pollution will require resolution in order to achieve '83 water quality goals. This is left hanging.

I hesitate, given the volume that you have already produced, to say that you haven't done enough—you haven't given us enough analysis. But I think the areas on the environment—just to sum up for a moment—you identify them, you say this is important, then you put them on the shelf. I think there are certain points, that I enumerated here and which you can get from my comments, that need a little bit more analysis. I think if you did this you would have a much better plan; we would be much happier with it.

I had a little concern because some of the things—as I read the plan—I was comfortable with but when I got to the end, I wasn't sure that five years from now we couldn't find that some part of the environment had been neglected—perhaps inadvertently. Thank you.

Mr. MERRIMAN: Thank you. George, would you like to comment on the concerns he--

Mr. SAHADY: In one minute or less. I share your concerns.

[Laughter]

In all seriousness, I share your concerns regarding the pollution abatement problem and the numbers that were put in the plan regarding closing of manufacturing plants and so forth.

This has been an ongoing argument in New England regarding whether or not the effects of the '77 or '83 water pollution laws are going to have this type of effect.

Now, what I would like to see done—and maybe this is a cooperative venture on the part of both you and the Commission staff—is to probably try to get together and try to rectify some of these glaring errors, if you see them that way and if the Commission agrees. I think that is very important.

The only other comment I would make is the fact that, in terms of the environment, we feel very strongly that the EPA, especially the regional EPA, has been very strong in defending those environmental situations and conditions in New England to assure that proper economic development and growth occur within the environmental constraints. Of course, as you know, the environment in New England is very fragile.

What we were trying to do at the Commission is attempt to provide an immediate recovery of the unemployment problem within the Region. This is the focus of the plan—it is to try to get people back to work through generation of private jobs and so forth, because that is the important thing, because the welfare costs in New England have gone up, the tax burdens in New England have been increasing severely. I think that unless we get people back to work, we are not going to do well in New England.

Mr. BURKE: One last comment there. I know that you were very fortunate in having in the New England Region one of the better regional offices that EPA has. I think the leadership of Mr. John McGlennon has been superb; he has been very, very dynamic—a very, very good man to have. We are very, very happy with him up there.

Mr. DOYLE: He has done a fine job.

Mr. MERRIMAN: Thank you. Any further comment? Department of Interior?

Statement by Department of the Interior

Ms. HOFFMANN: Our major activity in the New England Region is the Continental Shelf leasing, obviously. As we said in our letter, the substance of your comments is extremely positive throughout. One of the reasons is, evidently, the work you have been doing with public acceptance or understanding of the energy problems in New England appears to be taking hold.

We see, this year, for instance, a much more sophisticated approach to the clamor against Outer Continental Shelf leasing. We feel that it isn't solely because of our efforts with the States—that is, attempting to work with the Governors on the decision-making process on Outer Continental Shelf leasing. It must be coming from somewhere else.

I have a feeling from the kinds of remarks that all of your staff people have made about working with other Federal agencies and interagency groups—like the Federal Regional Councils and the Basins Commissions—that maybe we are beginning to make a non-quantifiable dent on a massive problem.

One thing was not referred to today—and I trust we can take it for granted that Commerce is forming its own in-house interagency coordination with the Coastal Zone Management people on the new regulations, particularly the coastal energy impact program on Outer Continental Shelf development. We haven't always found that to be so in the past.

I assume, since Mr. Eden is out of the room, that it wouldn't be fair to say anything bad.

[Laughter]

That is an area, obviously, in which we have more than a passing interest, and we work fairly closely with those people.

There is one other major area of the Department's concern—it used to be a concern in New England—and that is Indian affairs. The problems of land use and those kinds of questions will be raised in States other than the State of Maine and you may wish to have recourse to our technicians. They will, or course, be made available to you, if you ask.

Beyond that, I was raised in New England and I have sort of a personal interest in the Region; even though I am a transplanted and fanatic westerner. I have a personal interest in the question of the railroads and those kinds of things. Clearly, coal-marketing questions are still ahead of us, and I would just encourage you to remember the research and economic expertise of the Department should you need it. If you have had any trouble in the past getting that, I would urge you just to start over again. I am still there.

[Laughter]

Mr. DOYLE: Are you Schedule C?

[Laughter]

Mr. MERRIMAN: George?

Mr. SAHADY: I would just like to remind the representative from Interior that the Commission has provided over $100,000 in Coastal Zone Management funds. In fact, we were the vanguard before the NOAA people came in to give the States the grants.

Mr. MERRIMAN: Your remark with reference to the Outer Continental Shelf, I know it has consumed a lot of the Commission's time, and I think the posture, as you relate, is true today that there is more awareness of what it is all about. I know the Governors have been very concerned. I think it is all going to work in the long run.

Department of the Army?

Statement by Department of the Army

Mr. WOLFF: I don't have any specific comments this morning. I guess the primary relationship of the plan and the Corps' program is the area of hydro-power studies and projects. I am sure we will be dealing with the New England River Basins Commission on that.

Mr. MERRIMAN: Thank you. HUD?

Statement by Department of Housing and Urban Development

Mr. WRIGHT: The Nation is moving into an era of lower fertility rates, and New England is affected by this and is also affected by the changing migration patterns. The question presumably is, where will the population of New England stabilize? This depends a lot on the comparative economic advantage of industry and the opportunities in New England.

Your plan rightly addresses these factors, and I don't think HUD has a great deal to offer in your particular situation.

Mr. MERRIMAN: Thank you. FEA?

Statement by Federal Energy Administration

Mr. WOOD: Well, several comments. First, I would echo, I think, a lot of what my colleague from EPA had to say, that many times the environmental problem sounds more fierce than it really is. I think that is probably a pretty accurate statement as you look at why plants close.

Also, with respect to the comments from Interior, I think everyone in New England is terribly interested in OCS development—and one problem remains, to see if there is anything out there to develop before we get to the question of refineries. We are getting mixed reviews on that possibility.

In the general areas of energy, if I can talk about the two areas, Mr. Cochairman. First of all, I am very pleased with the New England energy program. I have gotten to see many other regions of the country, but I am very familiar with this one, and I really think it is the bellweather of the Nation in some of the things you started early. As a matter of fact, your production of manuals is almost exhausting my bookcase.

[Laughter]

I am also impressed with the relationships that the Commission has developed with other bodies, not only NERBSE but Federal Regional Councils and other Federal establishments. It has been a very healthy interchange of ideas.

You also have another very positive thing—I think part of it is the geographical structure—and that is your relationship with the States, your participation with the States I find to be a very positive point.

Now, other general comments. One other positive thing I have to say is that—perhaps you can bring this up in January, if we do meet and exchange ideas—the location of the Federal Cochairman in his area for so much of the time has to be something we should examine and perhaps initiate in the other regions of the country. I think it is a very healthy thing. It helps with the excellent relationship that New England has had with the Governors of that Region.

I believe strongly that all of these things that we are talking about are interrelated, the three "e's" of economy, energy, and envrionment—and I don't know how to work transportation in there and have it rhyme, unless you call it engine or something. There is a tremendous relationship there that I don't think we ever want to overlook. The only thing that my transportation friend said that I thought was wrong was about the Boston & Maine. I remember being on that in 1945 coming from Massachusetts to Washington; it was bankrupt then.

[Laughter]

One thing also we should be aware of—I have got just two more points to make—and I would like to see some way for us to transfer what we are saying here to other regions of the country. I still hear an awful lot of things in other parts of the country that tell me people do not understand New England and maybe New England doesn't understand them. But if there were some method devised where you could show to other regions that you have these very real problems, I think it would help us to firm up our relationships. I am thinking particularly of the area of energy where just last week I was with a Representative from Louisiana who really, I don't think, knows that the people in New England don't hate that refinery as much as he thinks they hate it.

Finally, one other thing that I would like to say is that I know we have a mature industry—that is a word I first heard at NERCOM—in New England. This may be outside my purview, but since I did not hear the word I think I would like to bring it up now. We have talked a great deal about the economic advantage of capital, of good capital, good labor, good methods of receiving loans, but I did not hear the word "tax" in our discussions either in the plan, in the comments that came back, or around the table today.

It seems to me the tax structure of New England is something that bears an examination of some depth, and I personally would recommend we get into not only tax incentives and disincentives, but also the historical changes that have taken place in the tax patterns, including State and local taxation. Perhaps some way can be found to compare the structure of this Region with other regions of the country. If there is one comment that one hears from New England businessmen, it is that the tax structure is what is eventually going to either drive them out of the Region or make sure that they don't build that new addition.

It seems to me that this is something that is vitally needed in a program like this—to take a hard look at the tax structure as it exists now, comparing it perhaps with other areas of the country with different tax structures, and look for ways to improve the existing structure. The businessman doesn't look, I think, as much today at EPA or OSHA or any of the other bugaboos as he does at the tax structure and its immediate effect upon his business and his future as he sees it.

So I would strongly recommend that the question of taxation be looked at.

Mr. MERRIMAN: Thank you, Ken. Maybe one way on the tax structure is to resettle the country and New England would be one State instead of six.

Mr. WOOD: I am aware of that remark from the gentleman from the Federal Reserve Bank in Boston—I think I heard it at the same time you did—that if the Pilgrims had landed in California instead of New England, today it would be the New England National Forest.

[Laughter]

Dr. McINNIS: Wilderness.

Mr. MERRIMAN: The gentleman from the Small Business Administration.

Statement by the Small Business Administration

Mr. ETHERIDGE: I appreciated the comments of FEA just now on the tax structure. SBA did have sort of a general comment on taxes in our letter. My source for that was the article in *Business Week* a month or six weeks ago about a prominent computer manufacturer who decided to move a large R&D engineering center to North Carolina from New England. I wish I had brought it with me, but I assume that most of you have probably seen it.

This, of course, the report did cover, I believe—the business taxes. It did not say much about personal taxes, however, and, of course, R&D is pretty labor-intensive and a lot of these guys are pretty high paid and have pretty expensive homes and are pretty vulnerable to property taxes, so I think that might have been one reason why they all wanted to move.

I did appreciate Mr. Van Ness's comments on the business information centers and CETA and also Mr. Pitcher's comments on CETA. The business information centers which I understand were a brain-child of the Federal Reserve are getting local businessmen and bankers to help small businessmen in the communities, at the community level. That was a very good thing. I personally was not up on that. I am sure that our man in Region I, in Boston, knows about it.

I also appreciated what Mr. Doyle had to say about our contribution to the fishing industry at the Gloucester meeting.

Also I would like to comment a little on our interest, SBA's interest, in railroad abandonment and reorganization. Mr. Stein, have you seen our brochure, our report—it has sort of a long title?

Mr. STEIN: I certainly have.

Mr. ETHERIDGE: You have that. I note that Commerce is one of the cosponsors of this bulletin, and since it is a pretty big Department I wasn't sure it had gotten around to you.

Mr. STEIN: It has.

Mr. ETHERIDGE: It has a pretty jaw-breaking title, so I won't read it off. But I have a copy or two, if anybody would like an additional copy.

We in SBA are working on developing and submitting to Congress some proposed new legislation for economic injury loans, which result from rail abandonment and discontinuance of service. This, of course, certainly has an adverse effect on small businesses located along the rights of way. Some of them may very well go under if they don't get relief on that.

We already have a program, our 7(a) guaranteed loan program, which I think most of you are probably familiar with. We are making 7(a) loans now and helping to ease the impact of rail service discontinuance and abondonment and trackage. Specifically, we are lending money for trucks for delivery of the raw materials and shipment of finished goods out of plants that are along railways which will be abandoned or have service discontinuance.

We are also making loans for construction of storage facilities which these businesses can use instead of the freight cars along the sidings in which they stored finished goods or raw materials, paying a demurrage on them, of course.

Another thing that we are proposing in this legislation is to be sure that small business contractors get their fair share of the opportunities in connection with contracts for railroad revitalization.

I did have some questions on this New England Capital Corporation which is described on page—that is the first economic development project on page 121. First, I was wondering whether the capital contributed to that was going to be repayable or whether it is a donation—whether that is debt capital the banks are contributing or whether that is simply seed money, you know, donation?

Mr. MERRIMAN: Dennie, would you—oh, excuse me.

Mr. ETHERIDGE: Then another one is that it seems several of these economic development projects are having their own revolving funds for financing—this is over and above the New England Capital Corporation. For example, I believe there is one for tourism—you talk about creation of a revolving loan fund for tourism; and I believe over there there is one for agricultural industry development, just to name a few.

I was wondering all the funding for these other projects couldn't be sort of included under the umbrella of the New England Capital Corporation, or are there particular technical reasons why that can't be done? Must you set up these various loan funds, revolving funds?

Mr. VAN NESS: I think probably the best way to respond to that is to try to explain a little bit what the New England Capital Corporation is conceived to be. It is conceived to be a private-sector financed pooled-risk fund, all right? It is not conceived to have Federal or State government money in it; it is not conceived to be a development bank as such. It is conceived to try to plug gaps, if you will use that terminology—to take care of particular areas of finance that for structural reasons are not functioning—not necessarily just in the New England market place. For example, companies that are of medium size that might be seeking a long-term loan, such as an insurance company typically makes, might find that if they are looking for a relatively small amount of money for that long-term, due to their own size, that that is too small an amount of money to attract the insurance company lender. For his own administrative reasons, it doesn't pay him to make that loan and monitor it and follow it, etcetera.

That problem does not exist peculiarly to New England, but if New England can come up with a regional solution to it, we are taking care of a fairly large proportion of our businesses.

Mr. ETHERIDGE: Well, certainly most of these tourism businesses would be pretty small, of course.

Mr. VAN NESS: There may possibly be some overlap of that nature. My point, I guess, is simply that it is not supposed to be a public development bank; it is not conceived to do that job; and its funding isn't coming from sources that you normally consider for that job.

Your earlier comment about the nature of its capital—we are talking hypothetically still, since I can't promise you there is going to be any such animal. But the nature of its capital would be invested capital from the banks and insurance companies of the Region. It would be run on a business-like basis, and would be self-sustaining. I don't think that these capital contributors would expect a regular annual pay-out, at least in the early years, on their capital—the return of their capital or a payment on it. But eventually they would expect it to be self-sustaining enough, I think, that it is not just a gift, it is not going through the charitable committee of the board.

Mr. ETHERIDGE: Thank you.

Mr. MERRIMAN: Any further comment? Proceed to the Department of Transportation.

Statement bv Department of Transportation

Mr. CASE: Well, I was greatly reassured this morning that the Commission really does have a good problem-identification analysis and program response model, that they are in fact attacking the problems of New England that we all know exist.

I did not come away from a rather exhaustive review of the plan with that impression. I have heard this morning that a number of the things that were in the plan have been overtaken by events. I suppose my overall statement is that I think the plan could really use a critical review of the way it expounds your program in the Region.

There are a number of times when it ignores completely rather obvious alternative hypotheses for these mechanisms that it discusses; it doesn't seem to have a logical model that would stand a rigorous examination. I emphasize, I think this is just in the write-up of the plan itself—and that is what we really came to address today.

With respect to the transportation program—the rail rehabilitation program—I heard a lot of answers this morning to questions that occurred to me immediately upon reading the plan. There were a dozen or so questions that I thought should have been mentioned, such as the quantitative estimate of the number of jobs that would be produced by this rail rehabilitation program. It is such a big program in your total regional program that I thought it deserved more exposition.

I think another long-run consideration would be with regard to railroads. You should re-examine what is happening to the industry structure in New England, and whether that trend over time is going to continue or whether your regional program is going to reverse the trend. If it continues, it seems that railroads may be a less appropriate form of transportation for the kinds of industries that are developing in New England than the ones that exist now. For the high-technology industries, for instance, railroads may not be an appropriate mode.

That was one of the little minor internal contradictions that I ran into. You know, are you going to live with the trend in the industry structure? Then what kind of transportation plan do you need for that?

I will submit, at some point, written comments to some of these things.

Mr. MERRIMAN: Good. Thank you. David, would you like to comment on the remarks?

Mr. STEIN: I would like to make just a couple of brief comments. The rehabilitation program developed after the plan was written. It was not funded until late March, and this plan was drafted some time before then when we did not have our ideas firmly in mind when we wrote the plan. Obviously, much work has been done since then.

In terms of your problem of having a model in mind and dealing with the overall transportation situation, I would agree with you that it has been something of a difficulty for us as well. We have been faced with the dual requirement of trying to deal with a real crisis situation on the one hand, which required a great deal of effort, most of our time, day in and day out for months, versus trying to develop a longer range framework which would allow us to look into the future. I complain bitterly at times that I am still trying to solve the problems of the nineteenth century—no one will let me back into the twentieth.

Then one more point on your comment on the question of the trends in the rail industry itself: there is no question in my mind that the New England rail industry is far from healthy—now and in the foreseeable future. But I do not think that that is simply an indication that the rail mode as such must go out and disappear. We have seen, as I indicated, that the rail mode does afford a number of jobs for New England; there are many commodities produced in New England or consumed in New England which cannot reasonably be handled by any other mode. The question really comes, what does one do in order to spread the costs within the rail mode to the point where those commodities which cannot be shifted do not have to carry an uneconomic burden of pricing? Coal—we are talking about converting New England plants to coal; there doesn't seem to be a good alternative for interior generation stations at this point than the rail industry. To make the coal industry support the entire cost of moving coal by rail, being the only commodity on the rails, would be absurd.

So we have to think of the rail industry—the coal industry—and find the alternatives for trucking, when that exists, that can feasibly be used by rail. I still remain, as I communicated in my earlier talk, convinced that we have a fundamental national problem in the rail industry which has not been resolved at all by any of the current spate of legislation, which is also an inequity between the rail industry's financial structure vis-a-vis that of other modes.

This is one which I think we have a unique role in trying to address, and we will continue to do so.

Mr. MERRIMAN: Thank you. Any further comment? The Appalachian Regional Commission?

Statement by Appalachian Regional Commission

Mr. KUBLAWI: Thank you. I have sent my comments on the plan. I was really very impressed. This is the one plan that has identified specific problems and provides particular solutions for these problems.

But I have just a few comments of my own, my own biases to state here. I could be wrong, but I would have liked the plan to highlight at the beginning three particular factors which are of particular significance to the New England Region and to regionalism in general in the United States.

I think it is important to highlight for people—who perhaps don't know—that we are always working on the assumption that we have a real competitive market structure and that regional shifts happen over time because of the competitive market and how it works, and

that this causes these regional shifts. I don't think this is really totally true. I think Federal policy, taxation and expenditure, have tremendous impact on whether a region falls or rises—it is extremely important. I don't know really how we solve that. But we are talking about regional economic problems, and we should address that.

Second, I find the energy problem in New England is definitely severe. I think we should go further and identify that the energy problem is not a matter of availability of energy nor even a matter of the economics of energy as much as it is Federal policy with regard to where the coal will be produced, at what cost, and how it will be shipped. And, to be specific, whether it is western coal or Appalachian coal.

In conjunction with that, I address the specific complementarity of the transportation system with coal. If you don't solve that, I don't care what you do—capital, labor, or anything—you are not going to solve the economic problems.

The third one is, the success of the regional approach of bringing the Federal Government and the States together. I think you address that; maybe it could really be highlighted.

These are my own biases.

Mr. MERRIMAN: Thank you. I think this has been very enlightening for the staff and myself. We do intend to review what has happened here today when we develop the final, final plan. I think we have had a lot of very good comments with reference to it. And I know I appreciate it.

Does anyone else have any further question or comment?

Bob?

Statement by Department of Commerce

Dr. RAUNER: Since this is our facility, I wouldn't want to end on a sour note.

[Laughter]

Mr. MERRIMAN: Good.

Dr. RAUNER: But I have been asked formally to summarize the comments given by the Commerce agencies on your document, specifically NOAA (in whose somewhat cramped dungeon-like room we have suffered for these three hours), EDA, the Bureau of Economic Analysis, and the Office of Regulatory Economics and Policy.

NOAA, specifically, the Office of Coastal Zone Management, read the plan and had no comments one way or the other.

EDA's comments have been prepared, we are told, but we have not received them, so I can't summarize those for you.

The Bureau of Economic Analysis: their principle observations were with respect to the short-run emphasis of the program that is formulated in the document and that puts that

against a longer-range projection which you also set out there. They wonder whether or not the short-run activities are optimal in respect to the long-run issues and problems. I am merely using their word. "Optimal" is a terrifying word—and I leave it to you to be terrified by it.

[Laughter]

Their second query was to ask for substantiation of the cost estimates of the short-run program—I am sorry—of the long-run program, wherein, down on page 103, you give estimates of public and private capital costs associated with closing the employment gap. And, more specifically, they ask for justification of the 50-50 split between public and private capital per job or worker created. I have written to some extent about that myself and I don't understand the 50-50. I thought it was more like 20-30 on the public side and 80-70 on the private side.

So that is something they ask you should look into—and I endorse that.

The Office of Regulatory Economics and Policy had three principal comments. They accepted your method for estimating the unemployment gap, which is a regression on regional against national statistics, and wondered if it in fact had taken proper account of the higher regional energy costs which you speak about elsewhere. Using the national figure as a basis for the estimate, they said that might be overlooked. We might have a more serious problem if we crank the regional energy costs in there.

Their second comment was that the $5.2 billion associated with trying to close the 121,000 unemployment gap didn't appear to them to be related in a clear way to the proposed programs, particularly in respect to the capital formations required, which is what the cost estimate is all about. I think you can answer that adequately, but at least in the current wording it didn't leap out.

Finally, their comments had to do with some of the environmental costs. They note that some of their studies have indicated that New England does have environmental protection or environmental safeguarding costs which are higher than those experienced in the rest of the Nation. They thought that some of the proposed programs were perhaps not joined well to those higher-than-typical costs, and you might get some benefit for your activity if you could try to make that linkage.

Since I have a place here (I will try to be brief) I should offer my own comments, in which—since we are all among friends and I don't believe I have been co-opted—there may be some value in having them noted here.

I, like the people over at BEA—I, that is to say, *resembling* the people—I *like* them, too—but resembling the people at BEA, am concerned about the strength of your link between the long-run goal and objective and the programs that have been formulated, particularly those related to capital creation. I think that speaks to maybe a little stronger emphasis on the strategy you may have in mind. It may be asking for the impossible, but I think it is the kind of critical thing in your document here that ought to have a little more highlighting.

I believe that it might be helpful to the reader to show more than you have told here respecting the planning process that you have evolved. What we read is, in effect, the results of that. And while I certainly wouldn't seek that you write a doctoral dissertation in which you force the reader to go through every single thought you ever had—we don't want that—I believe there is a process element in it which is worth portraying. I think that would help perhaps in getting better understanding of what this piece of paper is really talking about.

I know that Stan Womer from Four Corners Commission is sitting here. They are engaged in what I judge to be—I won't say pathbreaking, but certainly—a very attractive attempt to strengthen this whole process that is involved in planning activities. I think more of that should show in the document in addition to some of the numbers in the program formulations.

Finally, being one of the nameless, faceless bureaucrats, I have to refer to the fact that there are some regulations that pertain here. They speak to some of the requirements that are called for in respect to plans as well as their revisions—and I am sure Jack and the others of you are familiar with that. But they ask for treatments of things like review of prior studies and the framework for analysis and review of the regional economy, etcetera.

In most of these, I believe you have, either intentionally of unwittingly, addressed them properly.

[Laughter]

There are a couple, however, either intentionally or unwittingly, that were not addressed properly.

[Laughter]

And as my kids always say: "How do you spell some terrible word?" And I always say: "Go look it up; it's no good for me to tell you how to spell it, because you will write it down and then you will forget it." So, I am not going to tell you which ones were done well and which ones weren't.

[Laughter]

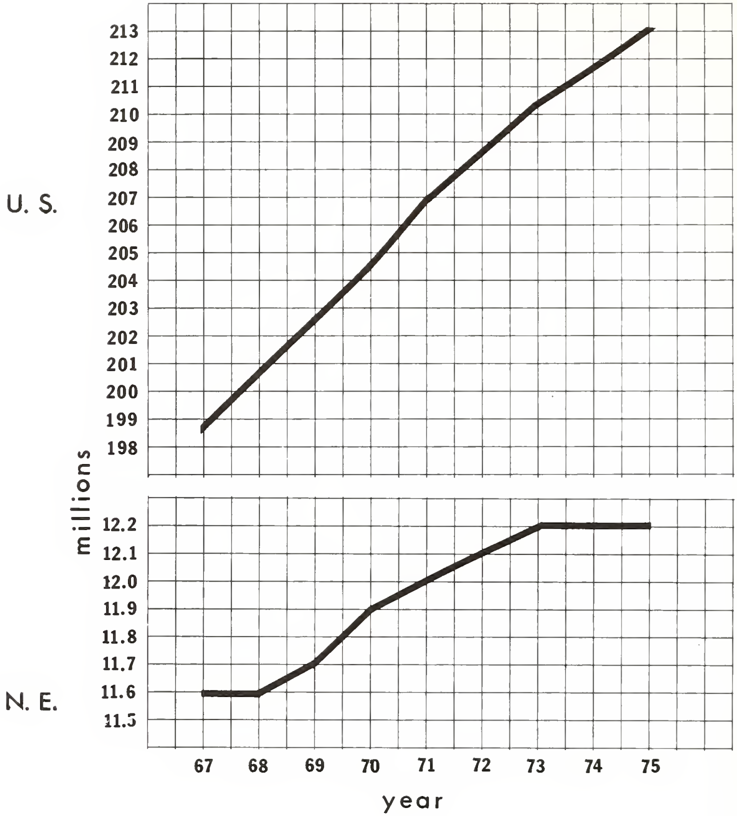
I leave it to you to read those regulations, and we will have a chance to find out if you did your homework when you come back for the Secretary's review.

Mr. MERRIMAN: We have your message, sir. NOAA has another meeting scheduled here in five minutes, while I think we would like to comment on your remarks, Bob, I think maybe we had better not get into it at this point.

If there is no further discussion at this time, we will adjourn the meeting. I thank you very much on behalf of myself, the Governors, and the staff.

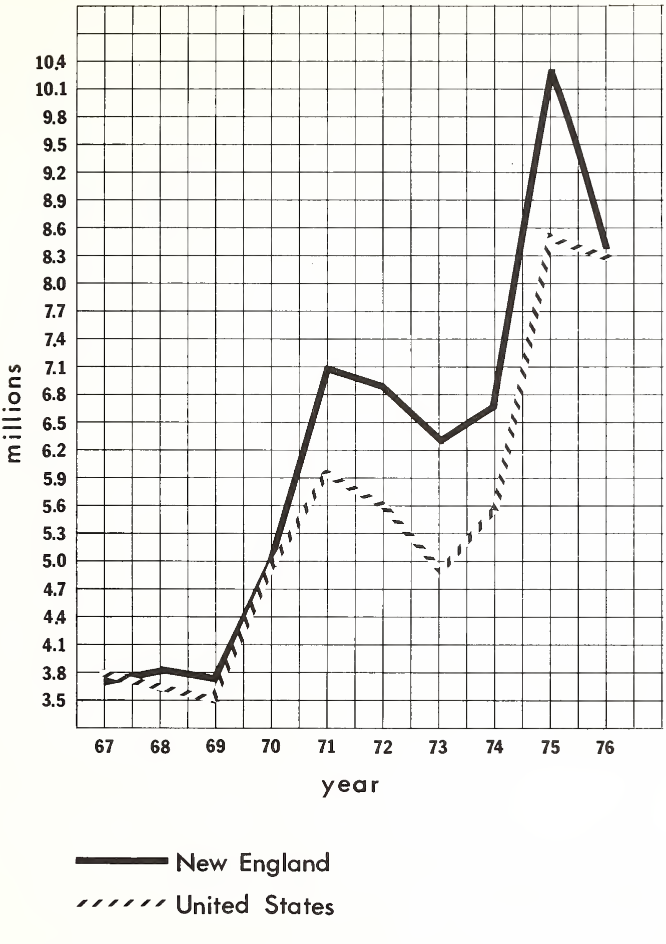
[The meeting adjourned at 12:26 p.m.]

POPULATION



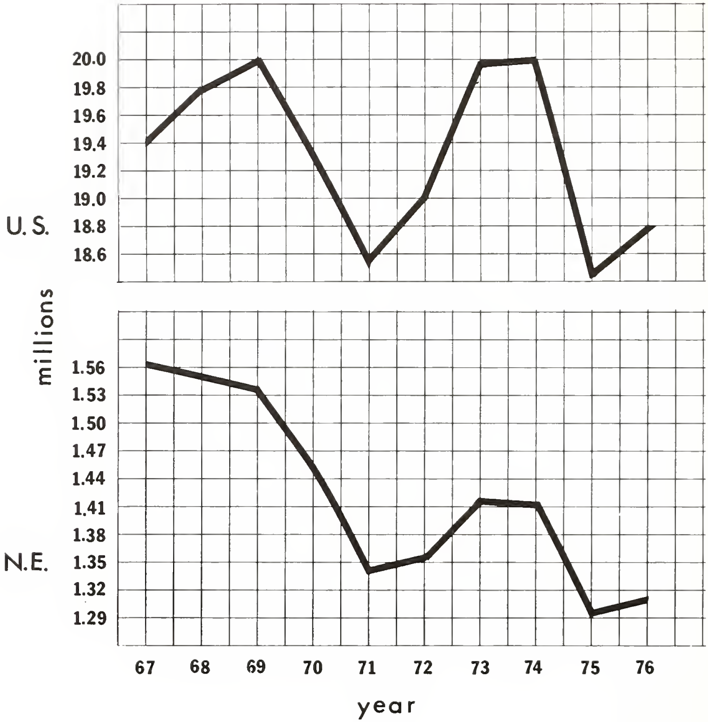
Courtesy of the New England Regional Commission.

UNEMPLOYMENT RATES



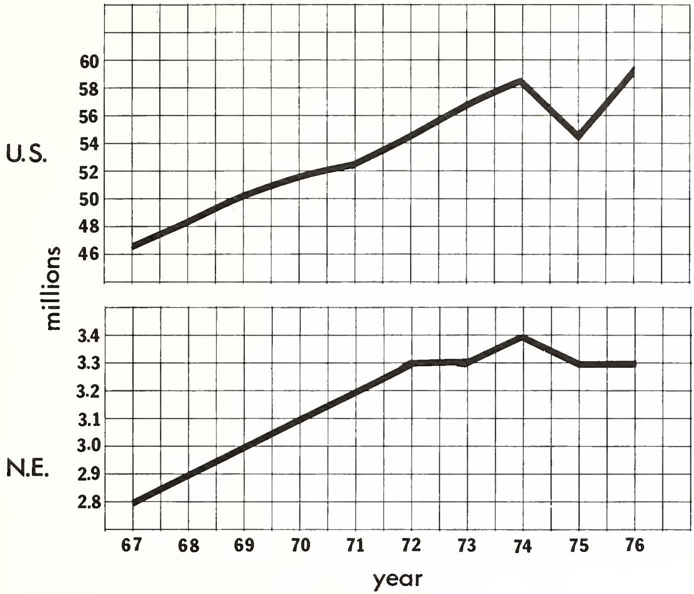
Courtesy of the New England Regional Commission.

MANUFACTURING EMPLOYMENT



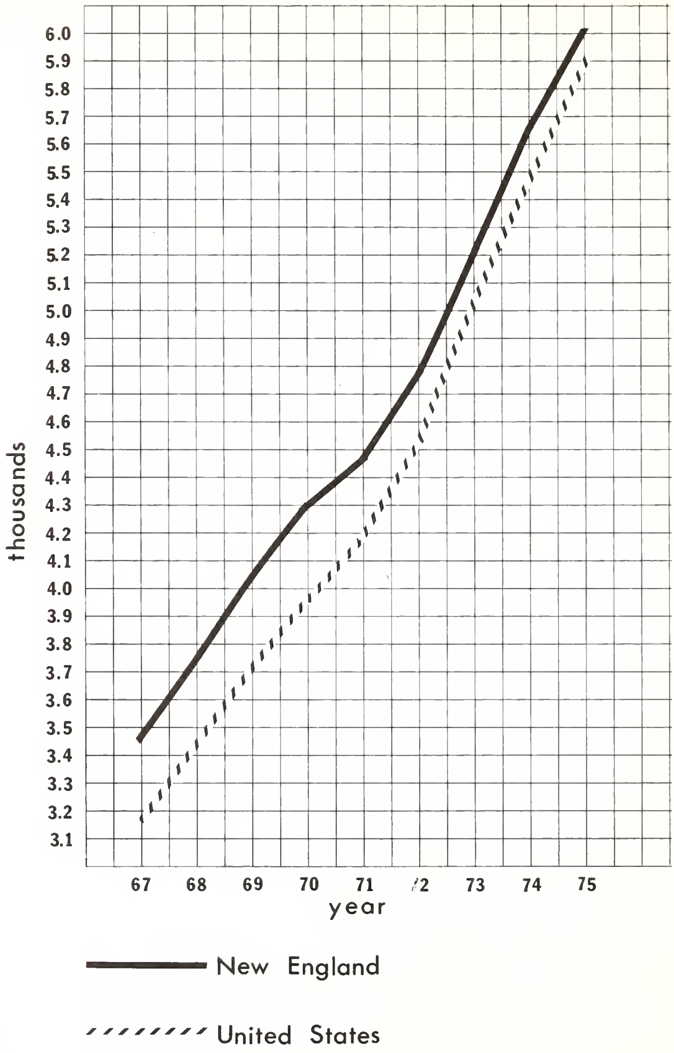
Courtesy of the New England Regional Commission.

NON-MANUFACTURING EMPLOYMENT



Courtesy of the New England Regional Commission.

PER CAPITA INCOME



Courtesy of the New England Regional Commission.

APPENDIX A

WRITTEN STATEMENTS OF EXECUTIVE AGENCIES, REGIONAL COMMISSIONS, AND EXECUTIVE AGENCY REGIONAL OFFICES

DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D. C. 20250

DEC 10 1976

Mr. John W. Eden
Office of the Secretary
U.S. Department of Commerce
Washington, D. C. 20230

Dear Mr. Eden:

We appreciate the opportunity to review and comment on the 1976 Revision of the Regional Development Plan of the New England Regional Commission.

The plan revision seems to fulfill both of its stated purposes. It responds to the mandates of the Regional Development Act of 1975 and it reflects the changes in the original plan necessitated by changes in the problems which face New England.

In its list of significant problems, it recognizes the increasing importance of saving prime agricultural land from urban development or abandonment and the necessity of alleviating the cost-price squeeze on farmers. It also recognizes the increasing hardships placed on rural communities by the departure of military and industrial employers from the New England area. The plan is, however, less specific than it might be on how some of these problems will be solved. We assume it intended, however, that projects selected for support by the Commission will address these important issues.

One concern which is not mentioned in the plan revision is the importance of receiving input from local people on what they consider to be the most significant issues and what they believe are the best ways to approach these problems. Since public concensus will be necessary to support projects developing from the plan, we assume this to be an administrative oversight.

We will be happy to discuss these ideas with the New England Regional Commission.

Sincerely,

William H. Walker, III

WILLIAM H. WALKER, III
Assistant Secretary

DEPARTMENT OF THE ARMY
OFFICE OF THE ASSISTANT SECRETARY
WASHINGTON, D.C. 20310

DEC 1976

Mr. John W. Eden
Acting Executive Secretary
Federal Advisory Council on Regional
Economic Development
Office of Regional Economic Coordination
Room 2092
U. S. Department of Commerce
Washington, D.C. 20230

Dear Mr. Eden:

I appreciate the opportunity to review the May 1976 staff draft of the New England Regional Commission's 1976 revision of the New England "Regional Development Plan."

As a general comment, the material is well presented; however, the reader is not able to readily compare the 1972 plan with the 1976 plan. Our specific comments are inclosed.

I concur with Mr. Merriman's suggestion that the Federal Advisory Council on Regional Economic Development (FACRED) should discuss specific follow-up actions and projects.

Sincerely,

Charles R. Ford

for Victor V. Veysey
Assistant Secretary of the Army
(Civil Works)

1 Incl
as

AMERICAN REVOLUTION BICENTENNIAL 1776-1976

Department of the Army Comments on May 1976 Final Draft of the Regional Development Plan, as prepared by the New England Regional Commission

1. Consideration should be given to inclusion of a few additional words in the introductory pages to the Executive Summary and to the 1976 Draft Report that a prime need for revision of the 1972 plan appears to be that the New England economy during the 1970's has not kept pace with employment projections used in the 1972 plan.

2. While the report is limited to discussion of possible studies and projects for consideration in the first two years of a 10-year program, the report should contain a brief discussion as to when the next revision or supplement to the 1976 plan is proposed. Although NERCOM has traditionally geared its programs to several months to 2-year maximum duration in interest of early development of new jobs, consideration should also be given to initiating longer-range studies such as the need to accomplish a shift away from an oil-based economy within the next 20 to 30 years.

3. An example of long-range study that should receive early consideration, as it would meet both the energy and transportation goals of the 1976 report, would be consideration of regional commuter rail systems (preferably electrified systems) on the order of Interstate highway system. Several benefits could result: provision of construction jobs, major reductions in gasoline consumption and provision of access by inner city unemployed workers to jobs located at suburban industrial parks, shopping malls and regional offices. Although token expansion of existing transit systems and rehabilitation of some railroads are being considered, generally as spokes to the central (hub) city, such routes do not necessarily conform with existing commuter patterns.

4. Energy Project 4, "Hydro Power Reclamation", is not presently under active consideration by NERCOM. The New England River Basins Commission is presently proposing a hydropower assessment study as a new start. The New England Division, Corps of Engineers would be a major participant.

5. An appendix to the 1976 report containing short summaries of all past and on-going NERCOM projects and studies would give the reader a working knowledge concerning specific cures (programs) that have been tried by the Commission. Also helpful would be a notation as to specific studies that have resulted from the 1972 plan.

6. Our New England field people believe that future NERCOM programs should be discussed informally at the field level with other key Federal agencies so that programs such as the Dickey-Lincoln School project, Passamaquoddy Tidal Power, pumped storage, port revitalization, and flood plain management may be briefly documented as appendix material.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20201

DEC 8 1976

John W. Eden
Acting Executive Secretary
Federal Advisory Council on
Regional Economic Development
Department of Commerce
Washington, D.C. 20230

Dear Mr. Eden:

I have reviewed the Addendum to 1976 Revision of the Regional Development Plan. I have no comments to make regarding the 1976 revisions since there are no human services problems addressed in this addendum. We suggest, however, that in addition to high unemployment there are other human resource problems that should be addressed in subsequent planning. We ask that you read again Robert Fulton's (Regional Director, Region I) March 25, 1976 letter to Mr. Merriman as a guide to subjects to be considered.

Regarding the meeting on December 14, neither Mr. Morrill nor myself will be able to attend this meeting. However, we would appreciate any reports provided from this meeting.

Sincerely,

Gerald H. Britten
Acting Deputy Assistant Secretary
for Program Systems

United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

DEC 9 1976

Mr. John W. Eden
Office of the Secretary
Department of Commerce
Washington, D.C. 20230

Dear Mr. Eden:

We appreciate the opportunity to review the 1976 Revision of the Regional Development Plan for the New England Regional Commission.

Our comments are, for the most part, general and positive. We appreciate the emphasis on conserving resources. Selection of energy and transportation projects for priority attention is certainly proper for this region.

We are pleased with the positive approach to mentioning development of Outer Continental Shelf oil and gas resources, among the options for improving the region's energy picture. This Department may be able to make greater contribution to your process as we learn more about the potential resources available in the area, and as the public comes to understand better the environmental safeguards against adverse impacts on the region's key areas of economic strength -- fisheries and tourism. As you know, this Department consults regularly on OCS matters with an advisory panel of representatives from States including New England States.

The Department's field officials particularly have long been involved in the region's recreation matters, and relevant tourism. We have participated in the Defense Economic Adjustment task forces aiding towns impacted by base closings, in addition to the normal recreation grant and technical assistance business with the States.

The report cites as a major problem sudden drastic reductions in Federal spending -- notably Defense, and other Research and Development projects -- without "adequate transitional programs." The FACRED Committee might be an appropriate entity to work out some practical recommendations to alleviate at least the suddenness of these decisions. At the very least, perhaps an early warning system of some sort could be evolved running concurrently with

AMERICAN REVOLUTION BICENTENNIAL 1776-1976

decision points in the new budget process. Perhaps a way to go would be to convene the FACRED counterpart senior field officials in the region as an (ad hoc) advisory group to work out ways to receive, disseminate, and discuss with responsible State and local officials potential impacts of major policy decisions, on a systematic basis. This could well be done in conjunction with Federal Regional Councils which have similar membership, and an Executive Order mandate to improve overall Federal coordination.

As a result of recent court decisions, the Bureau of Indian Affairs of the Department will have new responsibilities for certain American Indian groups in Maine. We would be glad to assist with any contacts your staff might require for briefing, or to answer questions as to our responsibilities and resources in this regard.

A small point; the several references to time and money invested in the concept of wood-fired furnaces are intriguing. We would look forward to distribution, when available, of facts on the economic viability of such projects, as well as the larger picture of environmental and renewable resource management aspects.

Finally, we accept, of course, the premise that such a plan as this can provide a framework within which efforts toward a variety of worthwhile economic goals can be dovetailed. The overall thrust toward supporting State initiatives, and building State capabilities to affect their own economic conditions is sound. Of course decisions made in the national interest which impact the region must have well informed input from regional, State and local officials. We believe throughout this Department we are strengthening our processes for doing so. Beyond this, the range of judgments as to urban-rural balance, viable transportation systems and on through the multitude of interrelated decisions that are made to affect the quality of living within a region -- these decisions must be made by regional people.

As before, we stand ready to provide any additional staff assistance needed as you proceed.

Sincerely yours,

Ronald G. Coleman
Assistant Secretary-
Program Development and Budget

U.S. DEPARTMENT OF LABOR
OFFICE OF THE ASSISTANT SECRETARY
WASHINGTON

13 DEC 1976

MEMORANDUM FOR: JOHN W. EDEN
Acting Executive Secretary
Federal Advisory Council
On Regional Economic Development

FROM: ABRAHAM WEISS AW
Assistant Secretary for Policy,
Evaluation and Research

Let me say first that I feel the plan is well done and directly addresses the basic economic problems discussed in the overview chapter on economic conditions. The basic emphasis of the plan on energy and transportation should both reduce costs and expand the market for firms located in New England. The necessity which the plan sees of revising the regulated price structure for rail transport as it affects that region is correct. Improvements in the area of energy and transport should turn natural economic forces towards creating new jobs and firms instead of causing an outflow of jobs and firms as is presently the case. The success of initiatives in other areas of the plan will depend heavily on whether the problems in the energy and transportation areas can be successfully handled.

With regard to the particular plans mentioned in the report, I wish to make comments on only two of them. First, I feel the report is unduly pessimistic with respect to the potential for CETA programs to help restore shortages of particular skills. The basic reason for creating CETA was to make the provision of training and other employment service more responsive to local conditions. As the results of efforts to provide better manpower projections become available, coordination with local prime sponsors should be undertaken. CETA programs cannot, because of their focus on disadvantaged persons who typically have

low education levels, meet the needs for highly trained technical manpower. But with coordination they should be able to help meet identified skill needs in the lower part of the skill spectrum.

Secondly, the issue of forecasting future needs for skilled manpower is more complex than the treatment given it in the plan implies. Basic data on supplies and shortages of different skill levels are not readily available. Thus, the development of a data base adequate for forecasting is an expensive and time consuming process. Further, the nature of the demand for particular skills is such that shortages can turn to surplus or vice versa over an interval which is short relative to the time period required to change the size of a particular type of training program. Thus the best possible forecasting and training program may not necessarily provide the requisite skills for which demand exists. As we improve and expand our labor market information, we can expect to be more effective in our manpower projections and in our training programs to meet skill shortages. However, it is unlikely that we can eliminate all or even most labor market frictions.

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

WASHINGTON, D.C. 20460

OCT 8 1976

Mr. John W. Eden
Federal Advisory Council on
Regional Economic Development
United States Department of Commerce
Washington, D. C. 20230

Dear Mr. Eden:

This is in response to your memorandum of August 20. EPA's comments on the 1976 Revision of the New England Regional Development Plan are enclosed. Mr. William Burke of our Economic Analysis Division will represent the Agency at the discussion meeting.

Sincerely,

Walter Barber
for Paul A. Brands
Deputy Assistant Administrator
for Planning and Evaluation

Enclosure

The study presents a good, sound assessment of the fundamental economic problems facing the New England region and focuses realistically on the changes that have been taking place in the region over the last decade and more. However, the Plan developed to stave off further decline in the future of the region vis-a-vis the rest of the country is not persuasive. It is not clear how the assortment of activities called for in the problem areas will impact significantly on the basic problems. The fundamental problems underlying the gradual decline will remain essentially uncorrected by the proposed plan---the high taxes, high transportation cost, labor costs, cumbersome governmental structures, flight of capital from the region--and all will continue to impact on business attitudes toward new investment. As noted in the presentation, these are "the old, troublesome problems that have plagued the New England economy for years." The program conceived to reverse the prevailing trends seems inadequate in concept and funding to offer much hope. At best, it might decelerate the rate of decline. However, even that minimum achievement is not assured.

The Environment

Despite the very difficult problems in revitalizing an economy in fundamental downward transition, the discussion seems to indicate that the solution is not seen in robbing assets from the environment. Indeed, environmental problems are acknowledged in the plan to represent "urgent concerns because of their impact on the Region's economy." One of the three basic goals of the original and revised Plans is the preservation and enhancement of the quality of the physical environment.

However, while there appears to be no significant, overt threat to the environment from the proposed program, some important questions relating to the environment nevertheless are posed by the presentation:

- Over half the river miles, as of December 1974, were in violation of water quality standards. The causes of the violations are mainly major municipal and industrial discharges with inadequate levels of treatment. In highly urban areas run-off and combined sewer overflows contributed to the problem. It is suggested (p. 64), albeit implicitly, that there will be a significant shortfall in funding through 1983 to rectify this situation. Given the other significant economic problems of the region, is the requirement for improved water quality to be postponed? Substantially reduced to a lower priority? Or is the requirement a realistic, attainable possibility?

- o The text (p. 64) also notes that requirements by industry "will probably be of a similar order of magnitude." This needs to be discussed in further detail. The implication for the region of this requirement on industry, admittedly generally characterized by obsolescence and other high costs, is potentially very significant. Major decisions to modernize and improve operations could include the option to relocate.

- o It is noted (p. 64) that water pollution abatement requirements may result in significant localized job losses due to plant closures. Again, this generalization suggests an impact of some magnitude for the region and should be discussed in more depth. The documented experience of EPA on this particular issue indicated that the case invariably is greatly overstated. Plant closures resulting from pollution control costs are found to be substantially lower than alleged by industry. The closures that are offered in evidence in the vast majority of cases are found to be due to other economic forces. If the authors of the Plan have data indicating that the situation in the New England region differs markedly from that in evidence elsewhere, the data should be analyzed in depth and presented as a justified point of focus for the development program. It is inappropriate to divert scarce resources (i.e., suggested retraining programs) for impacts that may not be of a serious magnitude. If the programs are found to be required for other reasons, the analysis should so indicate the true cause.

- o It is also noted (p. 65) that the problems of combined sewer overflows and non-point source of pollution "will require resolution" in order to achieve 1983 water quality goals. This calls for some further comment. Is this a substantial problem for the environment? For the Plan? What actions are called for?

In sum, while deference is made to the requirement to preserve the environment, substantial discussion in the area is not undertaken. The goal "to preserve and enhance the quality of the physical environment" cannot be realized if the importance of the environment is acknowledged in the problem identification phase and then neglected in the program development. While the environment may not be intentionally exploited to resolve the pressing economic problems of the region, the neglect of the environment apparent in the presentation is inconsistent with the lofty goals set forth in this admittedly "urgent concern".

FEDERAL ENERGY ADMINISTRATION
WASHINGTON, D.C. 20461

DEC 3 1976

MEMORANDUM FOR JOHN W. EDEN
ACTING EXECUTIVE SECRETARY
FEDERAL ADVISORY COUNCIL ON
REGIONAL ECONOMIC DEVELOPMENT

FROM: KENNETH A. WOOD, JR.
DIRECTOR, OFFICE OF
INTERGOVERNMENTAL RELATIONS

SUBJECT: NEW ENGLAND REGIONAL DEVELOPMENT PLAN

We have reviewed the New England Regional Commission's 1976 Revision of the Regional Development Plan. In our opinion, from an energy perspective, the Plan is satisfactory and recognizes the interrelationship of the New England economy and the region's energy profile.

Our only suggestion to the Commission is that close liaison should be maintained with the New England Federal Regional Council as its Energy Task Force is actively involved in the energy arena as well.

U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

OFFICE OF THE ADMINISTRATOR

NOV 30 1976

Mr. John W. Eden
Acting Executive Secretary
Federal Advisory Council on
Regional Economic Development
U. S. Department of Commerce
Room 2092
Washington, D. C. 20230

Dear Mr. Eden:

Following are Small Business Administration comments on the draft 1976 Revision of the Regional Development Plan of the New England Regional Commission.

The New England Regional Development Plan is unique among those reviewed to date by this Agency in that it contains State economic overviews and prospects, which entail a high degree of State participation. New England, after all, has been one of the Nation's more depressed regions in recent decades and has a good record of regional effort in attacking its economic problems.

One key trouble area not dealt with in the Plan is the disincentive effect of the Region's high living costs on holding existing firms in New England. Very recently, for example, a minicomputer manufacturer decided to move a large R&D and engineering center to North Carolina, where State and local personal taxes and other living costs are much lower than in Massachusetts. This firm is a primary segment of those high-technology industries in which New England has held its main comparative advantage and on which it is staking its hopes for economic recovery.

While the objectives of the New England Regional Commission are broader than those of SBA, there is a large area of common interest. Accordingly, I hope that Commission policies, particularly in the first five of its seven Economic Development Projects (New England Capital Corporation, Tourism and Recreation Industry Development, Community Development, Marine Industries Development, and Agriculture Industry Development) will insure that a fair share of business loan funds will be available to otherwise viable small businesses unable to obtain sufficient credit from the private sector. A healthy small business community aids larger firms not only by

purchases but by bolstering State and city tax bases, thereby easing the tax load on bigger companies and individuals.

Rail rehabilitation is of interest to SBA because of our studies on the effect of railroad abandonments in upstate New York, Michigan, and the Delmarva Peninsula and on the feasibility of short lines in New York and Michigan. SBA also intends to study, in the near future, the operating climate for intermodal service. Of interest to the Commission would be the bulletin, issued August 1976 by the Small Business Administration in cooperation with the Departments of Commerce, Agriculture and Transportation, entitled Opportunities for Business Credit and Other Federal Assistance for Individuals, Small Businesses and Communities Adversely Affected by Rail Service Discontinuance or Abandonment.

The revision of Chapter II - New England Region Economic Overview, released to the Advisory Council on November 16, needs editing. Noted were errors of grammar, punctuation and spelling, a few incorrect references and table headings, and occasional vague and awkward expression.

We appreciate the opportunity to review this report and look forward to discussing the Plan with the New England Regional Commission on December 14.

Sincerely,

Daniel T. Kingsley
Associate Administrator
for Operations

THE APPALACHIAN REGIONAL COMMISSION
1666 CONNECTICUT AVENUE
WASHINGTON, D.C. 20235

DEC - 6 1976

Date: December 1, 1976

Subject: Comments on the 1976 Revision of the New England Regional Development Plan

To: Harry Teter, Jr. HT.

Thru: James Pickford JWP

The 1976 Revised New England (NE) Development Plan is constructed to provide supplemental programs to ongoing efforts to improve New England's economic performance. It is not intended to be comprehensive but rather to facilitate an understanding of NE's economy, its state economies, and propose ways to reduce unemployment. This plan revision is representative of a short-run effort emphasizing projects and programs that can be implemented quickly, particularly those that can reduce NE's high unemployment and make its economy competitive with other regions. Energy, transportation, commercial and industrial development, and a dual emphasis on capital investment and service programs are the priority activity areas in the plan. Therefore, the 1976 Plan has been shifted to high priority, critical problem areas and is more focussed than previous ones. Past Plans included broad programs to improve the health and general education of NE's people as well as programs to protect its natural environment.

Overall, NE's planning process includes the basic elements of a planning process - Analysis, Problem Identification, Goals and Objectives, Policies, Development Strategy, priority programs, and an implementation program. These basic elements are linked together to produce a short-run development program for NE with first priority given to programs of regional significance; second priority to those that affect one or more of its states; and third priority to those for individual states. The implementation phase and its selected priority programs are related to the critical needs and problems of the NE economy, such as its need for venture capital, and decreasing its energy costs.

NE's best opportunities for economic growth are in its high technology industries, research and development, medical and professional services, and tourism and recreation. Existing economic centers will benefit from their growth. The greatest portion of total employment, however, will be in traditional manufacturing activities even though they are declining. Large existing growth centers will benefit the most from the high technology and service industries, while smaller rural centers will benefit from increase growth in tourism and recreation. Even though this pattern of potential impacts represent a form of spatial planning, it is difficult to determine where these investments will be made or where they are needed the most. If NE's program will focus on every large center and several smaller ones this is an inefficient way to make investments as well as an ineffective way of making investment decisions.

Mr. Teter
Page 2
December 1, 1976

The level of spatial planning and locational investment decision-making can be improved. Every center in the region obviously has not been impacted to the same degree by the turn around in NE's economic conditions. In other words, the investment program is related to critical needs and problems, but it is difficult to grasp the geographical significance or impact of them. Perhaps this is where the six States can have a beneficial role in NE's development program and help attain Resolution 118. Likewise, some of the investment programs such as those for energy will benefit the entire region while others will be more geographic specifically. A distinction between them would improve the 1976 plan as well as be consistent with NE's criteria for making program investments.

While there is an attempt to meet the employment needs of 120,900 workers little attempt is made to improve the skills of those persons who lost production-line jobs--the effort is to attract new industry. Nothing is wrong with that approach, but if future job demands are in areas radically different from those skills that currently exist, existing residents of the region will remain unemployed and new in-migrants will move in and take the new jobs. I am sure, though, that this will be a consideration after the labor market supply and demand analysis is completed. NE is already in a state of transition from a manufacturing to a high-technology situation. This is also an important consideration given R&D and professional service areas. Then, again, this suggestion may be outside of the framework of the 1976 plan as it is a long-term solution to a short-term problem. Upgrading the quality of the labor force nevertheless, will benefit attracting new industry to NE.

In addition, their is no linkage with the past plan nor its goals, objectives and policies. Ostensibly, some of the goals, objectives, and policies have been achieved or are close to attainment. An assessment of how well NE has met its past planning priorities would help the reader understand NE's continuous planning process, if there is one. Otherwise, NE's ongoing planning and implementation activities seem to be fragmented and disjointed. A similar effort can be made for assessing how past investments have or have not improved the economic and social conditions of NE. This will become critical in the next planning cycle as the 1976 Plan is a short-run document.

NE's 1976 Revised Plan is done well and fits together with few areas of conflict. NE's process is focused on ameliorating critical problems and serving emerging opportunities. Achieving the short-run program goals and objectives are possible, but whether NE's broader long-range goals and objectives are closer to realization depends upon the success of its 1976 program. Perhaps more critical investments are needed rather than more studies of existing and future needs.

CLIFTON LAMBERT
Planning and Evaluation

DEPARTMENT OF THE ARMY
NEW ENGLAND DIVISION, CORPS OF ENGINEERS
424 TRAPELO ROAD
WALTHAM, MASSACHUSETTS 02154

REPLY TO
ATTENTION OF:

NEDPL

6 April 1976

APR 12 1976

Mr. George Shahedy
New England Regional Commission
53 State Street, Room 400
Boston, Mass. 02109

Dear George:

Sorry I was unable to get to you earlier with our comments on your regional development plan and I hope they are not too late for inclusion in your report. The following comments are submitted:

1. Should the date of the report read, February 1976 as occasional sentences make reference to autumn 1975 conditions.

2. Page 2 of the 1976 report suggests that the 1972 plan was revised because of the current rates of inflation, unemployment and a new set of emerging problems namely: energy, demise of rail transport, military base closings. Certainly these are important problem areas. The only point we would have to make is the demise of the rail transportation system has been going on for a long time, and yet we don't seem to be making much headway on this long-standing issue.

3. The 1972 plan recommended a 5-year program (cost $1.5 billion) to facilitate real economic development and growth including commercial and industrial development, labor skills, education, health, housing, natural resources, transportation, government services, strategic regional programs, and regional planning. However, the summary to the 1972 plan was broadly worded. It did not reflect urgency in implementing the plan. Now the 1976 plan points to specific work items which is good but the real need for urgency we believe should be spelled out much more forcefully.

4, The 1976 plan provides for a 2-year program that would yield for $40 million for NERCOM programs, and $173 million for State action programs. However, it appears that the NERCOM projects of energy, transportation, and economic developments resulted from a September 1973 NERCOM resolution which resulted in organization of these three program areas.

NEDPL 6 April 1976
Mr. George Shahedy

5. Although discussed in the 1972 plan, we believe the 1976 plan should include a fourth priority item: increasing the labor skills and education of the region's labor force. The 1972 plan indicated that unemployment would remain high through 1980 and that many skilled jobs would eventually be filled by better skilled workers moving into the region.

6. Some apparent gaps in the 1976 plan in our view are:

Under Energy

No discussion of hydro possibilities for example pumped storage, run-of-the-river dams, particularly those in existence; new projects such as the Dickey-Lincoln project; the Passamaquoddy Tidal Power, and still other hydro sites in New England. No real discussion of refinery opportunities.

Under Transportation

Although the proposed rehabilitation of the railroads would be geared to improving freight improvements, we believe it should include the development of regional commuter rail systems, on the order of say a Interstate Highway System. This could have a double benefit of providing jobs and major reductions in gasoline consumption. There should be reference to need to revitalize New England ports particularly to improve the flow of petroleum.

Under Economic Development

Some of the projects as proposed for State action should be coordinated with the Corps' on-going water resources study for Pawcatuck-Narragansett Bay regarding flood protection needs. For example, a $5 million for redevelopment of Pawtucket business district; and a $3.5 million for extension of sewer interceptor to service Warwick industrial area. Also the $1 million for industrial park in Central Falls; for it is likely that many of these improvements would be located in the flood plains and would ultimately require a Corps' permit.

Sincerely yours,

Joseph L. Ignazio

JOSEPH L. IGNAZIO
Chief, Planning Division

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
REGION I
J.F. KENNEDY FEDERAL BUILDING, BOSTON, MASSACHUSETTS 02203

March 24, 1976

MAR 26 1976

Mr. Russell F. Merriman
Federal Cochairman
New England Regional Commission
53 State Street
Boston, MA 02109

Dear Mr. Merriman:

I have reviewed the Commission's new Regional Development Plan and believe it will serve as a fine reference tool for a variety of governmental agencies. Two sections of the Plan, Regional Economic Overview and State Economic Overviews, provide an ample number of parameters to describe changes between and within areas analytically. It would be helpful if these statistics were updated annually.

The section describing special problems facing New England economy is thorough, although some problem areas deserve still greater attention. These include energy, transportation, tourism, community and rural development and housing.

It is essential, however, that the record be set straight with respect to EPA standards and the impact they have on capital improvements as developed in statements appearing on Pages 43 and 44. Paraphrasing language of the New England Regional Commission report, Task Force on Labor and Capital Markets, the statements imply that an inequitable capital burden has been placed on New England's industry to meet national environmental standards because its plant and equipment are old. This is somewhat misleading in that the National Pollutant Discharge Elimination System is based on a principle of equality; i.e., all plants, modern, new or old, must meet identical effluent standards. No region or industry receives preferential consideration because of the age of facilities. We recognize that it usually costs older operations more to alter processes and/or to install pollution control equipment, but this

problem is not caused by the uniform implementation of environmental standards. Only a small proportion of manufacturers are directly affected by environmental regulation requirements. In the nation as a whole, less than five percent of all expenditures for a plant and equipment for 1975 and 1976 will go for pollution control; after that, the proportion will decline.

Here in New England, we do not believe the proportion of expenditures for pollution abatement and control will be noticably different--only a minor part of all manufacturing activity must effect changes. Most of the expenditures in this region will be sustained by four major industries: paper, chemicals, textiles, non-ferrous metals, and one minor industry: leather products. Together, their combined employment amounts to less than a fifth of all manufacturing employment in New England. Hopefully, this information will aid you in a constructive revision of the broad generalization of environmental standards affecting all industrial activity implied in the Plan.

Again, on Page 56, reference to the adverse effects environmental regulations will have on New England's farmers is misleading and artificial. Water quality standards are applied similarly throughout the nation. We have yet to identify a single major agricultural source requiring a National Pollutant Discharge Elimination System permit. We will not discriminate against New England's farmers in deference to those in other regions.

I believe the intent of the Commission to concentrate its development efforts in the areas of energy, transportation and economic development are beneficial, and its attempt to coordinate these with state activities is prerequisite to their success. Hopefully, each of the prospective programs will be developed in greater detail and will receive competent guidance and supervision. The energy recovery program, primarily a solid waste project to be funded with $5 million, is, interestingly, one third the size of the entire national solid waste program budget for Fiscal Year 1976. Several members of my staff have helped develop and administer resource recovery projects, and I would like one or more of them to be part of your team.

A review of the State Action Plans shows a distribution of funding indicative of the states' economic and

unemployment postures. Regrettably, only one state, Maine, recognized the importance of energy projects. Of the nine environmental action projects, we are actively assisting only one, the Rhode Island Solid Waste Management Corporation which has received a $50,000 demonstration grant. Another $50,000 grant for this same project is under review by this Agency. My staff is aware of the other two Rhode Island environmental projects, but reports that the appropriate state agency, the Rhode Island Department of Health, does not consider them priority projects for FY-76 or FY-77; we cannot, therefore, consider them for funding.

Finally, I want to clarify the position of EPA with respect to the jewelry industry and electroplating operations in Rhode Island. The inclusion of this "problem" on Page 269 of the Plan is another example of a misleading inference about EPA regulations; although the solutions suggested are reasonable, the nature of the problem is overstated. The allegations have been substantially deflated at least for those operations of ten or fewer employees. The latest regulations will make it possible for these small firms to secure variances. The number of firms impacted or affected in the Plan--900 small jewelry operations--is exaggerated in the Plan. The most recent data (County Business Patterns, 1973) show there are less than 600 jewelry firms (both precious metal and costume jewelry) in all size classes in the state, with only 282 operations employing 25 or fewer. Approximately two-thirds of these employ 10 or fewer, and are eligible for a variance. On balance, then, less than 100 operations must comply with EPA operations through their municipal facility permittee.

Building an economically healthy and environmentally acceptable region is not beyond the reach of prudent economics policy. What is required is a creditable partnership among the key participants of society--government business, organized labor and other institutional members. I wish you much success in implementing the new Plan, and if my staff or I can be of any further assistance in its implementation, please feel free to call on us.

Sincerely yours,

John A. S. McGlennon
Regional Administrator

FEDERAL ENERGY ADMINISTRATION
150 CAUSEWAY STREET
BOSTON, MASSACHUSETTS 02114

OFFICE OF THE REGIONAL ADMINISTRATOR

April 1, 1976

APR 1 1976

Russell F. Merriman
Federal Co-chairman
New England Regional Commission
53 State Street, Suite 400
Boston, Massachusetts

Dear Russ:

I have reviewed the Final Draft of the Regional Development Plan, and would like to suggest the section of Chapter III - Special Problems of the New England Economy more specifically address the November 7, 1975 "New England Energy Policy," as agreed to by the six New England Governors. You may wish to consider the following suggested content:

"Therefore, the region of New England is prepared to commit itself to the development of a more nearly balanced mix of energy production capabilities, including nuclear power facilities, hydro electric and other indigenous resources, domestic oil and gas resources, and the use of coal and other alternative fuels. To that end, it has established fuel-use goals to be achieved during the next decade to reflect that balance and to reduce the region's dependence upon oil by one fifth."

This policy statement dovetails your reasons in the introduction as to why the plan had to be rewritten. "1. A vast change has occurred in the economy of the United States and the New England region since the early 1970's. The current rate of inflation and unemployment were not forseen at that time. A new outlook, embodied in projections and problem assessments, must be set forth."

I believe that the Commission can do several things to improve the economy of New England. I believe that it should take more aggressive action in the way of legislative recommendation, both nationally and to the states. I believe that it can actively assist in determining the best uses for land formerly used as base sites, and can provide for the rest of us, in the federal regional family, an action plan by which we can assist the states individually and the region overall to meet the energy needs of the future. Energy is the limiting factor in any economic recovery plan.

In keeping with this belief, we note that the governors further stated that "the New England Region is prepared to deal with the following areas: conservation, nuclear energy, outer continental shelf development, coal conversion, hydro electric and other indigenous resource development and alternative energy sources, research and development."

Conservation:

FEA will assist the New England states with conservation through the State/Federal Conservation Program. In addition, Massachusetts already has a contract with our national office for project conserve, and Connecticut and Rhode Island may also participate at some future date. We anticipate that New England will receive a good portion of the winterization monies currently before Congress.

Nuclear Energy:

This is an area where too little is being done. The postponement of several planned facilities only serves to increase our already perilous position and dependence on foreign sources of fuel. We have calculated that with the addition of five to six nuclear plans currently being considered, the Region could save approximately 55 to 65 million barrels of oil in 1985. Realizing the delicate nature of current thinking surrounding the issue of environmental, safety and load uncertainty, the state and NERCOM could work toward utility rate and regulatory reform, and permit utilities to finance capital requirements, streamlining licensing, and review the state role in licensing hearings.

O.C.S.

In their statement, the governors indicated the state capabilities to: "Provide sites for refineries and other facilities so that the potential resources of the Outer Continental Shelf can be processed economically to meet both the regional and national needs for energy resources; and review the development of facilities to accomodate OCS service and support industries.

The possible production of oil could be as much as 60 million barrels in 1985, and gas as much as 300 billion cubin feet by 1985. The construction of 2 refineries would greatly enhance New England's chances of securing more permanent supplies. The states, with the assistance of NERCOM to plan facility sites for refinerines and on-shore OSC support facilities, expedite siting and regulatory process, remove unnnecessary delays, work up economic import assessments and review their role as interveners in hearings.

Coal:

The Governors affirmed a position to convert existing oil-fired facilities to coal within a time frame adequate to guarantee implementation that is economically feasible, review and aggressively pursue the economic viability of new fossil fuel energy production facilities with the private sector and cooperate with the Federal Government in resolving coal transportation problems caused by the incapacity of the northeastern railroad network.

We project the oil savings to the utility and industrial sectors by increased use of coal to be 25.2 million barrels in 1985. Production from Narragansett Basin could supply 4 million tons by 1985. Utilization of this anthracite coal will probably require modification of existing coal burning facilities or the construction of new facilities. In the latter case, oil savings would then exceed the 25 million barrels mentioned above. The states and NERCOM should examine air quality standards revision, upgrade coal transport facilities, sponsor rate reform and relief for utilities, legislate necessary regulations to permit economic development of possible coal resources and advocate the development of this resource.

Development:

The Governors indicated that they would support the expeditious implementation of feasible hydro-electric, including tidal-power projects; support the use of wood power generation, continue the discussions and negotiations concerning the purchase of surplus energy from the Eastern Canadian Provinces as it is developed, and untertake to develop facilities for solid waste recovery and conversion to energy. You should be complimented on the four Energy Projects as a sincere attempt to develop these energy sources. They interface well with the work we are doing on the Federal end to expedite the federal regulatory review process, and I hope to have an opportunity to review with you, in the near future, the studies we have undertaken with the ERD Task Force to identify possible solutions to the complicated matrix of licensing and review processes on the Federal side of things. Other regional agencies who are cooperating and assisting us in this endeavor will probably respond to these sections impacting their progress.

In closing, I feel that the Regional Development Plan should provide a more comprehensive approach to some of the other concerns cited by the Governors for action in their Energy Policy Statement. To quote from them: "The commonality of

energy as a fundamental base of our society, be it the State, the Region, or the Nation, is inescapable. The responsibilities which we hold separately as well as collectively require action in concert as well as in variation within a central theme. To address the energy issue jointly, to act collectively in the pursuit of its solution -- this is the affirmation of the New England Region." The Regional Federal Energy Administration stands ready to continue our cooperative relationship with the Commission toward achieving a balanced mix of energy capabilities.

Sincerely,

Bob

Robert W. Mitchell
Regional Administrator

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
JOHN F. KENNEDY FEDERAL BUILDING
BOSTON, MASSACHUSETTS 02203

REGION I

APR 05 1976

APR 1 1976

IN REPLY REFER TO:
1C

Mr. Russell F. Merriman
Federal Co-chairman
New England Regional Commission
53 State Street
Boston, Massachusetts 02108

Dear Mr. Merriman:

Subject: Revision of the Regional Development Plan
Final Draft

This is in response to your letter of February 19 addressed to Harold G. Thompson in which you requested our specific comments or recommendations as they might relate to the Department of Housing and Urban Development's programs.

Before responding to your basic request, I would like to make some general observations concerning the subject document.

First I would like to state that the direction in which the Commission appears to be headed is a definitive improvement when contrasted against prior Commission efforts and initiatives in the early 1970's.

The Final Draft which emphasizes a significant and close working relationship between the Commission and the individual states in the development of the Plan is not only desirable but necessary in order to establish a reasonable expectation that the combined resources of the Commission and the states can be marshalled to eventually reduce and eliminate the gap between New England's unemployment experience and future expectations as related to those of the nation.

There has been much said about the validity and utility of the statistics which contribute to the formulation of the so-called unemployment rate. It is my belief that the Commission must break out the components of the unemployment rate with respect, for instance, to teenagers, minorities, women, etc., and to consider the appropriateness of the statistical judgments which have been made previously in developing the unemployment rate parameter. By identifying the components of the unemployment rate, all of the agencies which must contribute to ameliorating New England's severe unemployment problem will be better able to judge the appropriateness of specific proposed Commission and state public investment strategies and to measure relative priorities.

With respect to gaining an improved understanding of the implications of the Commission's proposed program, it may be useful to consider devoting all or a major part of a Federal Regional Council meeting to a further discussion of the goals, strategies and programs which have been defined by the Commission. It is my firm belief that periodic discussion of programs and progress relative to economic development improvement activities is a continuing need of federal agencies which comprise the Federal Regional Council.

I appreciate the basic premise of this revision of the Regional Development Plan which has been directed at the "short run". It is my feeling, however, that the Commission should commit itself to a regional economic development planning process which incorporates the concurrent consideration of short term and long term problems and programs. It is my hope that the Commission will be able to address long term problems within the year following the proposed revision. It is my further suggestion that the document be entitled, Regional Economic Development Plan, unless provisions of the Regional Economic Development Act of 1975 or regulations pursuant thereto prescribe the specific nomenclature to be used.

The state economic overviews included in Appendix A are very useful. I suggest that the resolutions adopted by the Commission and referred to in the Final Draft should be added as Appendices.

It is not clear from the text, the extent to which each of the recommended expeditures has been discussed with a variety of public and private institutions and associations which would be affected by or substantially involved in the proposed programs. Certainly, the specific programs to be included in the plan revision should be subjected to considerable discussion within and outside the Commission before being included in the plan.

With respect to the Future Program of the Commission which includes the programs identified in Chapter V, particularly as they relate to HUD programs, I offer the following comments:

1. The energy recovery, solar energy development, energy conservation service and hydro power reclamation programs, in varying degrees, could substantially contribute to the ability of more New Englanders to maintain their housing. It is my understanding that the New England Council is heavily involved in attempting to secure a solar energy research and development facility in New England. If the Commission has been working in conjunction with the Council, this should be referenced in the plan.

2. HUD is in the second year of its administration of the Community Development Block Grant Program. Commitments to improve rail transportation particularly passenger service should be helpful in maintaining the viability of urban centers.

3. On page 54 of the Final Draft under the section, Land Use and Preservation, it is suggested that a possible explanation for the abandonment of cropland is zoning actions and consequent tax assessment policies based on highest and best use. Studies of states which have instituted tax and assessment policies consistent with the objective of preserving agricultural land have demonstrated that such policies have only served to delay the process of land use conversion from agriculture to other uses and are essentially ineffective rather than to prevent it.

   The problem of preserving agricultural land requires more adequate discussion than that which is included in the plan.

4. The community development project listed under Economic Development appears to be consistent with HUD objectives, but it is not clear that the implementation of this project would have any significant New England-wide impact.

5. The proposal for the establishment of the New England Capitol Corporation appears to be most significant. Congressman Harrington has developed a proposal for a similar entity which may or may not be related to the Commission's proposal.

The foregoing represents the results of our initial examination of the Final Draft. Although this response to your February 19 letter may not have been consistent with your time schedule, I hope you will find the comments useful to your current and future efforts. I appreciate the opportunity you have provided to me to review and comment on the contents of the Final Draft.

Sincerely,

Maurice E. Frye

Maurice E. Frye
Regional Administrator

U. S. DEPARTMENT OF LABOR
Office of the Secretary

Office of the Regional Director
Region I

John F. Kennedy Federal Building
Boston, Massachusetts 02203
617 223-5430

March 15, 1976
MAR 16 1976

Mr. Russell F. Merriman
Federal Cochairman
New England Regional Commission
53 State Street
Boston, Massachusetts 02109

Russ
Dear Mr. Merriman:

Re: NERCOM Regional Development Plan

I have reviewed with interest NERCOM's revised Regional Development Plan. The Department of Labor, through the Bureau of Labor Statistics, has commented in detail on most of the relevant aspects of your plan. I have also been alerted that the comments made in our letter of December 12, 1975, to Dr. James M. Howell of the First National Bank of Boston (letter attached for easy referral) relative to the Capital and Labor Task Force Report were incorporated in this revised plan by Mr. Sahady.

The Department of Labor is always eager to coordinate and maintain working relations with the Federal Cochairman's office especially when dealing with economic development projects.

Sincerely,

Gerald P. Reidy
Regional Director

Enclosures

CC: Mr. David W. Hays
Chairman
Federal Regional Council of N.E.

Comments on the Regional Development Plan (dated February 1975) of the New England Regional Commission prepared by the Boston Office, Bureau of Labor Statistics

This is a summary of the comments made on the subject report during the visit of George Sahady of the New England Regional Commission, the author of the report, to the Boston Regional Office of the Bureau of Labor Statistics on March 10, 1976.

Pages 8-11 The decline in New England manufacturing employment, although not typical of the nation as a whole, is a symptom that is common to most of the industrial states of the Northeast. Of the 14 Northeastern states that are considered the original industrial states of the nation, including the six New England states, nine have recorded declining manufacturing employment over the 1960-1975 period. Only the states of New Hampshire, Vermont, Delaware, Ohio and Michigan have recorded increases and only in the case of Michigan has the increase exceeded 10,000 jobs. The net loss of manufacturing jobs in these 14 states over this period has been 708,000 jobs of which approximately 125,000 have been lost in New England.

Page 11 The report mentions the migration of young people out of New England to find employment in other areas. This may be true in New England as a whole but one universal complaint which this office uncovers in an annual survey of the job outlook for college graduates is the unwillingness of Boston area graduates to relocate. Without exception the placement directors contacted in this survey emphasize the need for graduates to leave the Boston area in order to find employment related to their college training. This tendency, which prevails for out-of-state graduates as well, means many college graduates are finding it difficult to get jobs or must work at jobs far below their abilities. This factor is also mentioned on page 30 of the report.

Page 12
Page 45 Several references are made to the higher wages paid in New England than in the south. In fact, the relationship of hourly earnings between northern and southern states is a mixed one - some higher, some lower. (see following table) Based on the Bureau of Labor Statistics' monthly series on average weekly earnings for production workers in manufacturing in all states it is possible to compare the weekly earnings of workers in New England with those in the southern states. Industry and occupational mixes account for a substantial part of the differential. As the following table shows some New England states remain higher but this gap may narrow in the future.

State	Dec. 1975	State	Dec. 1975
Alabama	$176.30	Connecticut	$193.44
Arkansas	134.71	Maine	148.37
Georgia	146.63	Massachusetts	172.73
Louisiana	184.34	New Hampshire	150.10
Mississippi	126.99	Rhode Island	146.96
North Carolina	127.88	Vermont	161.93
South Carolina	132.21		
Virginia	150.91		

Page 13

The transportation, communication, and public utilities group includes the rapidly growing trucking group as well as the railroad industry which has showed a substantial decline since 1960. This decline, as shown in the table below has been somewhat greater in New England than in the nation as a whole.

Railroad Employment
(in thousands)

	1960	1975	Percentage Change
United States	885	521	-41
New England	24	13	-46

Page 38

The opening sentence here "that the New England economy is gripped by a process of deep and pervasive deterioration" appears to be quite pessimistic. The following sentence, "while bright spots and opportunities do exist, especially as demonstrated by the performance of the New Hampshire economy" does not mention other areas where the New England economy is growing. Many tertiary industries are particularly strong in the six-state area and should continue to grow.

Page 41 — Although the full affects of the military base closings in Rhode Island have not been overcome there is the encouraging sign that the Electric Boat Division of General Dynamics which acquired a portion of the abandoned Quonset Point Naval Base is constantly enlarging its work force. At the present time it is one of the largest employers in the state of Rhode Island.

Page 42 — This report quotes the NERCOM Task Force Report on Capital and Labor Markets. BLS comments sent to Mr. Howell on December 12, 1975 still apply. See attached letter.

Page 46 — We don't entirely agree with the pessimism related to "a large overhang of retired workers who must be supported by an economically mature industrial region with relatively few mid-career skilled workers will develop." The number of retired workers in Florida, for example, do not hamper growth. Encouraging retired workers to take part-time jobs would be greatly helped by changes in Social Security legislation to allow retirees to retain a greater proportion of their earnings.

Page 72 — Manufacturing employment for U. S. is incorrectly shown and can be easily corrected.

Cover — Should the date on the cover be February 1976 rather than February 1975?

U. S. DEPARTMENT OF LABOR
BUREAU OF LABOR STATISTICS
John Fitzgerald Kennedy Federal Building

Boston. Massachusetts 02203

December 12. 1975

Mr. James M. Howell
Senior Vice President
The First National Bank of Boston
100 Federal Street
Boston, Massachusetts 02110

Dear Jim:

I have several comments on the NERCOM Task Force Report on Capital and Labor Markets.

First, we have not been able to verify the 5.3% and 0.8% figures for over 55 workers in the U.S. and New England manufacturing labor forces. The statistics appearing in table 239 of the 1970 Census - "Age of Employed Persons by Industry and Sex: 1970 -" Detailed Characteristics U. S. Summary indicate 20.2% for New England and 15.9% for the United States. Furthermore, these appear to be consistent with the industry ratios on p. 19 of your report. Use of corrected and higher figures would strengthen the aging work force argument in your report.

Second, there is no explanation of how the estimate of 76,000 expected vacancies was determined.

Third, there is no mention in the report of the projections of manpower requirements published over a year ago for all but one of the New England States and several SMSA's by State Divisions of Employment Security in the BLS-DES cooperative program. These projections as I recall, were brought to your attention last July when you visited this office. The BLS program plan for FY'76 is for all state and SMSA's (over 50,000 population) projections by occupation to 1985. The BLS role will continue to be that of supplying methodology, industry projections and occupational matrices to the six State Divisions of Employment Security who will complete and publish the final reports on Manpower Requirements to 1985. In essence there does exist an on-going viable forecasting mechanism. To ask the New England Regional Commission or any other group to fund a study which would duplicate an existing program does not seem realistic.

Fourth, the effectiveness of the state agencies, both DES and Education, is a subject which the Manpower Administration (recently renamed Employment Training Administration) and the HEW Regional Office should comment upon rather than the BLS.

Finally, future studies might well place more emphasis on underlying economic forces in addition to the institutions such as employment services and vocational education. This point was made by several academic spokesmen at the preview meeting in your bank's auditorium last Fall.

Sincerely,

Wendell

Wendell D. Macdonald
Regional Commissioner

APPENDIX B

WRITTEN STATEMENTS
OF
DEPARTMENT OF COMMERCE UNITS

December 10, 1976

TO: Dr. Robert M. Rauner, Office of the Special Assistant to the Secretary for Regional Economic Coordination, U.S. Department of Commerce

FROM: William J. Nagle, President, Community Resources, Inc.

SUBJECT: Review of the 1976 Revision of The Regional Development Plan of The New England Regional Commission

General Overview

A team of the Commission staff prepared this revision of The New England Regional Commission's Regional Development Plan. Descriptive and analytical chapters on the economy of New England and its special problems follow a brief introduction to the 327-page document. A section titled, "New England's Economic Development Problem" is made a separate chapter following the overview and special problems chapters presumably because it focuses on projections for the future. There then follows a chapter on "Goals, Strategy, and Programs to Address Regional Economic Needs." More than half the document is devoted to an Appendix with sections on the individual states that make up the region. Each consists of an overview of the State's economy and a section usually titled, "Problems and Opportunities." A final section of the Appendix lists program accomplishments by the Commission for the past three fiscal years.

In a document not otherwise marked by brevity, the conclusion to the main Section of the Plan is remarkably succinct and, for the purposes of this review, worth quoting here:

> "This then is the Revision to the New England Regional Commission's Regional Development Plan. As we have demonstrated, the Region's problems are serious and manyfold. Large amounts of assistance will be required to place New England on an equal footing with the Nation as a whole. The amounts requested in this Plan Revision are, therefore. a partial installment to fund a continuous program to stimulate economic development.
>
> "Because the task of bringing the Region into equality to the Nation will take considerable time, and because, as this Plan Revision also demonstrates, conditions change rapidly, the planning process that produced this document as one of its by-products must continue. The Federal-Regional-State-Local relationship to achieve progress toward economic development that has been established in New England must also be continued and be brought into even sharper focus than it has in the past. All levels of Government have a share in the job that must be done. The New England Regional Commission stands ready to continue its efforts to help coordinate the role of all for progress toward a prosperous New England." (p. 135)

Planning Processes, Goals and Strategies

Despite the claim made above that the document is a product of a "planning process," this reviewer sought in vain for either a description of the process or for internal evidence in the Plan itself that one existed. An introductory section on the structure of the Plan Revision contends that it "contains an analysis of the New England economy and the Commission's programmatic response to the problems revealed by that analysis." (p. 4) This is not to question here the validity or appropriateness of the programs recommended in Chapter V. It is to suggest that there is no evidence that any goals or objectives were changed or that new priorities were set as a result of the considerable work that

must have gone into the analytical chapters of the Plan. There is a much clearer and more obvious linkage between the programs proposed and past actions of the Commission dating back to 1973 when it passed Resolution 73 calling for a reorganization of its activities to concentrate on three areas regarded as of greatest importance to the region: energy, transportation and commercial and industrial development. In subsequent resolutions in 1974 and 1975 the Commission further defined program emphasis and direction. The revision of the Regional Plan provided an opportunity for a reassessment, a reexamination of the earlier goal setting. That the opportunity was exploited in the Revision may be implicit but it was not made explicit. For this reviewer, two questions remain:

a) would the programs and projects outlined on page 102 to 134 have been much different without the Plan Revision; and

b) if the answer to the first is "no," does that reflect on the adequacy of the present analysis or on the lack of a process that can lead to building a concensus and obtaining agreement on goals, strategies, objectives and projects?

It would seem that the Commission made some very sensible shifts in 1973. The programs and projects listed for the past three years do seem more focused and less diffused than its former programs or the programs of other Commissions. What kind of a planning effort and what kind of a planning process is best suited to a Commission that has "shifted to high priority, critical problems?" (p. 99)

Of course it is possible there is more process than meets the eye. The proposal for the creation of the New England Capital Corporation to provide a pool of long term debt capital presumably originated in the Commission's Capital and Labor Market Task Force. The use of such Task Forces are certainly an important part of a planning and action process. It is also possible that the process is outlined in some earlier document of the Commission. If so, this Revision should have a re-cap of it.

The section on "strategy" (pp. 100-101) is disappointingly weak. We learn that a region whose economic development problems are "varied and complex" requires a strategy that is "both ambitious and realistic" to produce change. If a planning process did exist, the inadequacy of this strategy section would be glaring. One reads it and re-reads it with the hope that somehow between the lines the "strategy" will emerge. It does not. And the reader is plunged into the program section (by itself appearing sound and sensible) without the comfort of knowing that the specific programs in fact serve to solve the problems previously outlined in the overview and analysis chapters.

An Uncertain Trumpet

A difficult challenge in reviewing this document is a need to sort out ambiguities. The authors of the Revised Plan seem themselves to be responding to mixed signals. Their own uncertainty about the task at hand leaves the reader somewhat puzzled. The problem may lie in part not in the authors nor in the people who direct them but rather in the animal called a Regional Commission.

How is a plan of a Federal-State Commission to be conceived? Is it to have a full description of a region's economy with an objective analysis of its problems--even if its problems stem in part from local attitudes or from State or local governmental practices? Or should it be seen primarily as a "shopping list," a "proposal" by a Region for some share of Federal dollars?

Should the Regional planners aspire to a precision and objectivity that will win the respect of their peers in the academy? Or should they write in a way most usable to their Congressional delegations in Washington? How should they balance their convenor, catalytic, educative role with their lobbyist, advocacy role as case-builder for Federal dollars? By what criterion should they decide to address short-term versus long-term solutions?

Because the Regional Commissions are young institutions whose definition and roles are still developing, questions such as the above are difficult to answer. The criticism of the document at hand for its ambiguities should be seen in this broader context.

The ambiguity problem is particularly pronounced in the few introductory paragraphs beginning on page 4 under the sub-section title, "Structure of the Plan Revision." The first sentence of the section has already been quoted: "The Plan Revision contains an analysis of the New England economy and the Commission's programmatic response to the problems revealed by that analysis." That is an ambitious but reasonable task. The back-peddalling and ambiguity emerges on the very next page: "This Plan Revision is constructed to provide programs that supplement on-going efforts

to improve economic performance." Before the reader has read the analysis, he is told that a premise of the Plan is in effect that the on-going efforts are the right responses to the problems and that these efforts will be supplemented. The shift to a lower gear if not a reverse gear continues with the next two sentences:

> "It is not intended to be a comprehensive plan that includes all efforts at economic improvements undertaken by all government jurisdictions in New England. It is more modest in its objective in seeking to add to the understanding of the Region's economy and the State economies, and in proposing ways that unemployment may be reduced."

There is something appealing about authors who admit to modest goals: We hope to add a little to your understanding of the economy and make a few suggestions about reducing unemployment. The trouble is that the earlier, less modest statement, about analyzing the economy and making programmatic responses to the problems revealed is still in the document on the preceding page. The reader's faith that the ambitiously stated task is to be taken seriously is further shaken when he is informed that the document will be pointed at the short-run rather than the long-run problems. The latter "may be reviewed in a subsequent revision of the Regional Development Plan."

Prepared then for a "modest" effort at improving his understanding of the New England economy with a view toward winning his support for "short-run projects" that simply supplement "on-going efforts," the reader is treated to 88 pages of description and analysis that is a veritable call to arms. The present and future of the New England economy is presented in the bleakest of

terms. The trumpeters thus set the stage for a massive programmatic response. The actual programs proposed in Chapter V, however, are short-term and most supplement on-going programs--just as Chapter I promised. The descriptive and analytical sections deserve closer examination.

Description and Analysis of the Economy

The description of the economy of New England appears to be accurate. This reviewer had little reason to argue with the data presented or its timeliness. The authors succeed at showing the complexity and variety of the problems that "are draining the regional economy of its strength and vitality." They demonstrate that New England's development problem "is not traceable to a single or short list of striking or identifiable problems...The list of problems affecting the New England Region is quite long. High energy costs, high transport costs, lack of venture capital, obsolescing plant and equipment--the reasons are many and varied." And, as the authors say, the public and private programs to meet these problems "must be numerous and varied."

But the complexity and variety of the problems now affecting the economy of New England imposes a very difficult task on the staff who do the analyzing and on the Commission itself. The task is to come to a thorough understanding of the problems and to begin a process of placing them in priority order to assure that the limited resources available will have the greatest impact.

As stated above, the actual programs and projects listed in Chapter V appear to be sensible and sound. But this 327-page document does not in itself offer convincing evidence that those particular projects do constitute the best investments that can be made. The document might have been more valuable and more convincing had it been written not as a "plan" but as a "proposal"--that is, if the description and analysis had been written to justify the programs and projects that the Commission wants to get funded. This properly "modest" effort could have succeeded. But the document presumes to do more than this--to do a thorough analysis of the economy. This reviewer would have reacted to the analytical sections much more positively if the authors had indicated what was possible to analyze at this time and what needed fuller analysis by them or others.

Chapter III, "Special Problems of the New England Economy," is weakened by an over-abundance of hortatory rhetoric. Its first sentence has the economy "gripped by a process of deep and pervasive deterioration." Two pages later is the exhortation: "Work to mend the weak sectors of the economy and to bolster strong sectors must therefore continue unabated." The apparent need to stir the soul by words gives rise to simplistic and sometimes inaccurate statements that make the whole document seem less credible. For example:

> "The New England economy of the 1960's and early 1970's (again, except for the bright spots) was gradually deteriorating, but this deterioration was masked by the booms in the defense-space industries, and higher education. The

> receding of these booms is exposing the basic weakness of the New England economy. This is not an economy with wide spread strengths such as say, California, that can shrug off the consequences of a drastic decline in defense-space spending in a few years and move on again unimpeded. New England needs help." (p. 42)

This is hortatory rhetoric. As the oldest economic sector, New England is in fact one of the most complex, having a wider variety of activity than any other region of the country. California planners and economists would not agree that their state can "shrug off" defense plant closings.

In the same chapter, some of the insights provided by the Commission's Task Force on Labor and Capital Markets were worthy of deeper analysis. For example, it is not self-evidently clear why New England "is unable to compete with maximum effectiveness for the capital that flows through its institutions." The implication is that the high cost of doing business in New England is part of the reason. And later one reads that "the economic future of New England rests on the ability to create an overall business environment that will provide the incentive to keep more of these production-line jobs in the Region." The statement has the ring of truth. The proposal that does emerge in Chapter V for a New England Capital Corporation to develop a dollar pool of long term debt capital for companies is one sound response to the problem as posed. But the "business environment" problem has many facets. The Plan could not be expected to address them all, but it might have been expected to list them and to suggest ways they might be addressed.

To return to an earlier criticism made in this review: the lack of a discernable planning process out of which the Plan emerged leaves unaddressed and unanswered too many questions, including the crucial one of how to make priorities on when and how they will be addressed and answered.

In the beginning of these comments on the description and analysis of the economy as it appears in the Revised Plan, this reviewer said he had little reason to argue with the data presented. But the last paragraph of the overview chapter does make a statement without presenting the data that does pose a problem for the reviewer. That paragraph reads:

> "If the story told by CPR Series P. 20, No. 285 (referring to a Bureau of the Census study on the mobility of the U.S. population between 1970 and 1975) is broadly indicative of events in New England, the trend is on to move south and west. The 'sunshine' states offer a more gentle climate and their economies offer equivalent gentility in the form of a relatively high employment opportunity. Since, however, New England does possess outstanding natural attractions, a strong and expanding economy could well arrest net out-migration." (p. 31)

The census study is not quoted or analyzed. The failure to treat the migration subject more seriously lays the authors and the Commission open to some of the criticism made in the recently released study by Jusenius and Ledebur of EDA's Office of Economic Research. The EDA study is titled, "A Myth in the Making: The Southern Economic Challenge and the Northern Economic Decline."

The study includes Tables showing the migration of workers between the Sunbelt South and the Northern Industrial Tier, 1973-74. New England is defined for the study purposes as the

industrial states of Connecticut, Rhode Island and Massachusetts. Migration from New England to the three Sunbelt Regions totaled 37,900. Migration from the Sunbelt to the three New England states totaled 32,000. The net migration was --5,900 for New England.* It does give a partial answer to the statement made by the Revised Plan authors that "it would be surprising to find much net in-migration to the three southern New England states." At least in 1973-74 it was a minus figure, but hardly of sufficient size to constitute a "trend."

State Economic Overviews

The first thing to be said about the State Economic Overviews is to express appreciation that they were done at all. The Commission and the States are to be congratulated for making the attempt. It bodes well for the future--especially because the advent of EDA 302 State Planning Program, coupled with whatever planning funds the Commission may be providing the States, means

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* Another point made in the study is worth at least parenthetical mention here. Jusenius and Ledebur argue that it is not migration of firms that has caused the employment changes: "Migration of firms has played a minor role in the changing employment situations of the Northern Industrial Tier and the Sunbelt-South. Over the past few years the primary cause of declining employment in the North has been the 'death' or closure of existing firms. In the South, the primary cause of the increasing employment has been the expansion of existing firms. The data demonstrate these points quite clearly...Over 50 percent of the employment losses which occurred in the Northern Tier between 1969 and 1972 was attributable to the death of firms. Only 1.5 percent was due to the outmigration of firms. In the South, 64.3 percent of the employment growth was caused by the expansion of existing firms. Only 1.2 percent resulted from the immigration of firms to the region." (pp. 38, 41)

that the States of New England and elsewhere are developing a new capability for this kind of planning. In the long run, it is bound to have a very healthy effect on Regional planning efforts.

It would have been useful to place these State overviews in the context of the new 302 programs. No mention of the new planning program is made although all of the States in the New England Region have now received 302 grants.

It is not clear how much of these the Commission staff did and how much was done by the States. It may have varied State to State. In the introduction to the State sections of Appendix A, the authors say that the overviews and descriptive sections were developed "in close conjunction with" state officials but were prepared centrally. On the other hand, several States prepared their own sections on problems and opportunities. It would have been useful if the Commission staff had included a section that showed more explicitly the interconnection between the individual State treatments and the Regional overview and analysis. For lack of evidence to the contrary, one must make the assumption that the State sections were prepared either after the Regional overview was done or simultaneously with it. Although there is some discussion of the methodology used, there is little indication that the State sections grew out of a process or are themselves to be used in an on-going process.

Since the New England Regional Commission draft of its Plan Revision was released, Massachusetts has issued the product of its first few months of effort under its 302 economic planning program.

"An Economic Development Program for Massachusetts" was issued by Governor Dukakis in August, 1976.

It is vastly superior to the Massachusetts section that appears in the Commission's Revised Plan. More important, in the priorities it establishes and in the directions it charts, it is clearly a policy instrument. Its origins were in the Governor's own Development Cabinet. What other States in the New England Region produce may be better or worse. But they have the potential of providing excellent building blocks on which the Commission can build its plans and programs--if a process is established and maintained.

Some of the State sections suffer from the same problem as the Regional Plan: the State Action plans listed in Appendix B, beginning on page 277 have little direct connection to the economic analysis sections for the States. To put it another way, meeting the request of the New England Congressional delegation for a listing of specific programs and projects was not made an integral part of a planning process.

But whatever the reasons for the Commission to have separate State sections, this first attempt has placed them ahead of most of the Title V Commissions. If such efforts in the future become part of an overall process and if the State sections are in fact prepared by the States themselves, a major step will have been made in regional planning.

Requirements in the Code of Federal Regulations

The following will treat explicitly the requirements contained in the Code of Federal Regulations, Title 13, Business and Credit Assistance, Chapter V, Regional Action Planning Commissions, section 530.2:

a) Review of prior studies: The Revised Plan included no summary of the initial Regional Development Plan nor did it list or summarize any of the other studies and plans done on the New England Region. There were, however, frequent footnote references to relevant studies.

b) Framework for analysis: The Revised Plan did not include any estimates of the gaps in research and data needed to conduct effective development. Had the authors done so and had they suggested something in way of an agenda for needed research and analysis they would not have had to bear the burden of seeming to say the last word on the New England economy and its problems.

c) Review of the regional economy: Here the Revised Plan drafters did a reasonably good and thorough job. They addressed most of the material required here but in the Revised Plan did not treat the question of identifying growth centers.

d) Review of conditions inhibiting growth: The chapter on New England's special problems did address such conditions in some detail. What the section lacked was any attempt to prioritize the "many and varied problems." Some of the problems were analyzed more thoroughly than others.

e) <u>Review of major plans and pending decisions</u>: This was not done explicitly.

f) <u>Establishment of regional goals</u>: As remarked on earlier, the goals discussed were the goals previously set by the Commission in 1973 and refined in Commission resolutions in succeeding years. No goal setting process appeared to emerge from the Revised Plan efforts--unless the Commission regards the Revised Plan as basically a re-affirmation of the goals previously set. The goals, as previously set by the Commission, are explictly stated.

g) <u>Determination of a development strategy</u>: As previously noted, the Strategy section of the Revised Plan is disappointingly weak.

h) <u>Review of existing program adequacy</u>: The adequacy of existing Federal, State and local programs is dealt with implicitly throughout the Plan but does not receive much explicit treatment.

i) <u>Criteria for project identification</u>: Since most of the proposed projects are supplements or extensions to previous Commission programs and since all are clearly in line with the new directions and emphases the Commission has followed since 1973, the Plan appears to have met this requirement admirably.

j) <u>Consideration of other planning in the region</u>: Previously mentioned is the fact that no connection was drawn between the Commission Planning and the new State 302 programs. Nor was there any indication that the multi-county Economic Development Districts in the New England Region have all prepared Overall Economic Development Plans. They may have been referred to and used in the preparation of the Revised Plan, but they are not specifically acknowledged.

This review contains much negative criticism of the Revised Plan. But much of the material that the Plan contains can be used as a valuable instrument by the Commission. It would seem appropriate to the leadership and coordination role of the Commission to lay out an agenda for research and analysis. There is no region in the country with more ready talent in its colleges, universities, research centers and throughout its private sector to carry out these tasks. It is possible to use much of the material gathered in the Revised Plan as the basis for such efforts. A revamped version of some of the chapters could be used as background papers for seminars and forums as well as for more focused research and planning efforts throughout the Region. Such a process would go far in meeting the citizen participation requirement for regional planning efforts. More importantly, the process might serve to generate more interest, involvement and creative thought in both the private and public sectors of the Region.

TECHNICAL REVIEW

1976 REVISION

of the

REGIONAL DEVELOPMENT PLAN

THE NEW ENGLAND REGIONAL COMMISSION

November 24, 1976

Prepared by:

Harold W. Williams
Suite 450
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The 1976 Revision of the Regional Development Plan (the Plan) of the New England Regional Commission (the Commission) is introduced by the Commission as having been prepared in response to: (1) changes in the economy of the Region; (2) changes in the Commission's method of operation; and (3) new legislative requirements.

The changes in the economy since the previous regional development plan was published in 1972 are: (1) substantial increases in the cost of energy; (2) further deterioration of railroad transportation facilities; and (3) decreasing Federal defense expenditures.

The changes in the Commission's method of operation appears to be a greater reliance on the State members to prepare their own analyses of State economies and to prepare individual State plans and programs.

The new legislative requirements are contained in the 1975 amendments to the Public Works and Economic Development Act of 1965 specifying that the regional commissions submit new regional development plans.

In addition to these requirements, the Plan is also presented as containing material which has been prepared in response to requests from the New England Congressional delegation for information on specific program needs of the various States.

After a short introductory chapter, the Plan sets forth, under the heading of "New England Region Economic Overview" an analysis of recent changes in the Region's total employment, employment structure, personal income, labor force, population and migration. Percentage change calculations are provided so that the development of the New England economy can more readily be compared with changes for the entire United States. A third chapter discusses special problems of the New England economy, ranging from changes in Federal policy to community and rural development. Chapter four discusses a so-called "unemployment gap" under the heading of "New England's Economic Development Problem." Projections of employment and population are presented for the 1980's. Chapter five deals with goals, strategy and programs to address regional economic needs.

The appendices contain separate analyses of the State economies and of their problems and opportunities. Under a listing of "State Action Plans" there is a compilation of specific State requests for

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funds for various programs, and there is a review of past Commission program accomplishments.

The entire Plan is quite lengthy, amounting to 327 pages (double-spaced), with appendices. An "Executive Summary" amounts to 74 pages.

II

The Plan's Strengths

A major virtue of the Plan consists of a clear analysis of major changes in the growth of employment, income and population in recent years, particularly in documenting how that growth has lagged behind national growth rates for the same aspects of the economy. For example, the analysis points out that total non-agricultural employment in the United States grew by 44 percent from 1960 to 1974, while such employment grew by only 30 percent in New England during the same period. Similar comparisons are made for other data series, for example:

> Manufacturing employment dropped by two percent from 1960 to 1974 in New England, but grew by 19 percent nationwide.
>
> Employment in services grew by 79 percent in New England, but grew by 82 percent nationwide. (In fact, New England was out-performed by the Nation as a whole in every broad industry group in the 1960-1974 period, as well as in the 1967-1974 period.)
>
> Total personal income grew 189 percent in the 1960 to 1974 period in the United States compared to a 172 percent increase in New England.
>
> The total labor force grew by 22 percent in New England during the 1960 to 1974 period compared to 31 percent growth in the Nation as a whole.
>
> Total employment was up 31 percent in the Nation from 1960 to 1974, but grew by only 20 percent in New England during the same period.
>
> Unemployment was up by 50 percent in New England from 1960 to 1974, but grew by only 32 percent in the Nation as a whole.

A second major virtue of the Plan is the clarity with which it

focuses on the major problems underlying the failure of the New England economy to keep pace with other sections of the country. These problems are, as noted above, the high cost of energy and transportation and the reduction of defense expenditures. The emphasis on these problems could be further buttressed had the Plan provided either data or sources to support its arguments. For instance, the section on Federal policy provides no data on how and when Federal spending has declined, nor does it provide information on the magnitude of the decline. There is a reference to 1973 military base closings, but the bases are not identified and the magnitude of their previous contributions to the economy not estimated. The absence of county or multi-county data makes it difficult to locate and document the dislocations occasioned by Federal base closings.

While the Plan does present numbers to show the magnitude of increased energy costs, data sources are missing. The section on transportation problems is particularly weak on supporting data. No description of the Region's transportation system is provided. In the light of the amount of funds allocated to transportation projects in the Commission's program, the Plan would be considerably strengthened by providing more information on this vital sector of the Region's economy.

A third major virtue of the Plan is the specificity of the Commission's program. The various projects which the Commission intends to fund are clearly outlined, and the goals and projected impacts of the various projects are presented, so that the reader has an opportunity to appreciate the rationale undergirding project selections. However, as will be noted below, some of the proposed projects appear questionable in the light of the Commission's authority and current programs of other agencies.

The Plan is also strong in its discussion of New England labor markets, which is excerpted from the report of the Commission's task force on labor and capital markets. The recommendations of the task force appear to be especially perceptive in focusing on the needs for improving the functioning of New England's labor markets. This being so, it is somewhat unfortunate that the Commission's program has allocated a relatively small amount for projects to alleviate the conditions analyzed in its task force report. Less than five percent of the total program funds are allocated to but one labor market project. The project itself is an attempt to improve labor market forecasting and to evaluate the effectiveness of the Region's vocational-technical programs, hardly an exciting project in view of the pressing nature of the problems presented. This relatively minor allocation of funds to vocational-technical education contrasts with an allocation of 29 percent of the Commission's funds to transportation projects, although the subject of

transportation is not thoroughly analyzed in the Plan.

III

Capital Markets

There are a number of weaknesses in the Plan which merit comment. For example, the discussion of capital markets in New England, which is also excerpted from the report of the Commission's task force on labor and capital markets, fails to convince the reader that an additional source of credit is needed. Since the Commission has allocated $2,700,000 for a project to create a New England Capital Corporation, documentation of the need for an additional source of development capital in New England is important.

The Plan points out that the Region has historically been and remains today an important clearinghouse of money and capital. It is not the lack of capital which hinders investment in the Region, but the fact that those who control its flow into investment opportunities, believe that there are more attractive and less risky avenues for investment elsewhere. The Plan states: "Regional investors believe that the availability of funds is not the principal problem. Rather, factors such as high taxes, high transportation costs, labor costs, cumbersome governmental structures and attitudes toward new investment were key in a business' perception of its ability to profitably expand operations in New England." The Plan goes on in this vein. "The economic future of New England rests on the ability to create an overall business environment that will provide the incentive to keep more . . .production-line jobs in the Region."

The task force also reports that discussions with chief executive officers of a number of recently-created high technology firms emphasized that there is never a shortage of promising new products, but there will always be problems of successfully locating venture capital. That observation might be compared to a Broadway producer saying that there is never a shortage of promising new plays, but that there will always be problems in locating "angels" to back them. Capital cannot make high-technology industries successful. These industries will succeed if they have sound products, adequate markets and good management; and if they have these characteristics in New England, they will find capital. If capital is not forthcoming from the private sector, there are a number of Federal and State credit agencies which can also be tapped for funds.

It is recognized that many persons concerned with economic development in New England are intrigued with the idea of a capital

credit facility of some sort which will enable the Region to match the growth rates of the rest of the country. However, the Plan does not make a convincing case for such an institution, particularly a new development credit institution for that part of the country which has always had a surplus of investment capital to export. Bringing new capital to New England may be as redundant as sending coals to Newcastle.

Time Frames

Another major weakness of the Plan is a confusion among time frames. For one example, the initial chapter states that the revision of the Plan is pointed toward the short run, rather than the long run. The Plan is intended to emphasize projects that may be implemented quickly and reduce the severity of the Region's "painfully high" unemployment. Yet, nowhere is this short-run factor mentioned in the discussion of development strategy, although at least two of the projects in the Commission's program (energy conservation and rail rehabilitation) could produce immediate jobs.

The time frame is even more confusing in the "unemployment gap" analysis. That calculation is based on a gap in the fourth quarter of 1977, yet the 120,900 jobs estimated as the size of the gap at that time is used as a basis (on page 102 of the Plan) for a 30,000 a year job goal between 1976 and 1980; and all this somehow becomes a ten-year program (on page 104 of the Plan). Population and employment projections are furnished for 1980 and 1985. The Plan would be strengthened if these apparent discrepancies in time references were clarified for the reader.

Moreover, if 1980 is indeed the ending date for the Plan's operational period, it seems to be somewhat short. The Plan will not be approved prior to 1977. Funds will not be appropriated to carry out the Plan's program prior to October 1, 1977 (at the earliest). By the time projects are received and reviewed, it will be mid-1978 at the earliest before projects are started. Many of the proposed projects have a first phase and a second phase, with the second phase contingent upon successful completion of the first phase. Thus, the Plan will not begin to have much of an effect on the Region until 1980, and its maximum effect would undoubtedly come later. Although there is much justification for short-run programs, there is some question as to whether a regional development commission can really function as an agency which devotes a major part of its funds to the alleviation of short-run problems. Section 503 (a) (2) of the Public Works and Economic Development Act of 1965 states that each of the regional planning commissions authorized under the Act should: "initiate and coordinate the preparation of long-range overall economic development programs for such regions, including the development of a comprehensive long-range economic plan approved by the Secretary." (Emphasis supplied) Thus, there is some question whether a Plan directed toward the short run meets the legislative

requirements. Clearly, the whole question of time frames needs to be re-thought.

New England's Economic Development Problem

The Plan could be further strengthened by a re-thinking and reorganization of Chapter IV on "New England's Economic Development Problem." The opening several pages of the chapter fail to define the problem clearly, even though a statement is made that "the Region's basic economic problem is that the majority of its industries lack the same vitality as their national counterparts." Yet, the reader comes away from the chapter with an impression that the unemployment gap is the Region's basic economic problem.

Perhaps some of the confusion stems from the fact that much of the material presented in the opening pages of Chapter IV is repetitious of material presented in Chapter II. For example, compare the discussions on pages 11-15 with the discussion on pages 74-76.

The discussion on population and employment projections is difficult to follow, and while such projections are required, it is questionable whether they are appropriately placed in a chapter titled, "New England's Economic Development Problem." The presentation of the methodology used in making the projections might well be relegated to an appendix and the discussion in the body of the report confined to the conclusions and the magnitude of the unemployment gap. This would make the need for assistance to the New England Region clearer and give a greater sense of urgency.

In fact, since the unemployment rate is clearly the one indicator by which the Region lags substantially behind the rest of the country, not only in rate of change, but also in absolute magnitude, the Plan would be strengthened considerably by devoting additional analysis to this subject. Who are the unemployed in New England? How long are they unemployed? Where are they located? (What proportion are still in the old mill towns? in the central cities? in the rural areas?) To what extent, if any, is high unemployment in New England affected by the life styles of young persons, particularly the life styles of graduates of New England colleges who stay in the area regardless of the lack of job opportunities? Some of these questions may be difficult to answer, but if unemployment is New England's number one economic problem, as the Plan suggests, then decision-makers ought to know more about it.

Moreover, Table NE-X on page 80 of the Plan seems to suggest that the unemployment problem in New England will be getting better without additional policy action by the Commission or any other

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agency. Not only will total regional unemployment go down from 614,400 to 530,100 by the end of 1977, but the unemployment rate will drop from 11.6 percent to 9.6 percent. This drop of 17 percent in the Region's unemployment rate will actually be steeper (according to the Plan's projections) than the decline in the national unemployment rate which is projected to decline by only 11 percent in the same period. The projections show the unemployment gap dropping from 169,200 in the first quarter of 1975 to 120,900 in the last quarter of 1977.

Goals and Strategy

The discussion on goals and strategy in Chapter V of the Plan could also be strengthened and clarified. Commission goals are presented as unchanged from the 1972 regional development plan, and they focus on: (1) economic growth; (2) better distribution of income; and (3) environmental preservation and enhancement. The Plan states that in 1973 the Commission adopted a resolution reorganizing its activities to concentrate on energy, transportation and commercial and industrial development. These fields all seem to be directed toward economic growth, and yet there is no explanation of what happened to to the Commission's goals for better income distribution and environmental enhancement.

The 1973 resolution called for a work program which would concentrate on: (1) diversifying the Region's economy; (2) expanding employment; (3) supplying energy and transportation services; and (4) increasing the capability of State governments to carry out programs of economic and physical planning, programming and management. The resolution further directed that the program should represent a balance between long and short term objectives. It also established criteria for approving project proposals only if they meet the following tests: (1) the project has a regional dimension in that it deals with a multi-State problem; (2) the project shows strong prospects of making a significant contribution to regional economic development; (3) the project respects the Commission's commitment to environmental protection; and (4) the project avoids duplication of effort, has a favorable benefit-cost ratio, and will be responsibly managed. It is not clear whether all these are strategies, priorities, or simply common-sense management policies.

In a separate discussion of strategy, the Plan states that the best opportunities for economic growth lie in research and development; high technology industries; such service industries as finance, medical care and professional services; and industries relating to tourism and leisure time. This is the first time that these considerations are mentioned in the Plan, and there is little mention of them afterward. Nor is there any strategy presented for encouraging the development of such industries. Instead, there are generalized statements that the Region's strategy should also encourage actions to build new industries to meet "domestic, social and environmental" needs and which

will reduce vulnerability due to dependency on Federal procurements. The strategy also calls for continued support for traditional New England industries.

The strategy discussion is one of the weakest points of the Plan. It appears to be for everything, but in so doing, it tends to be for nothing. All types of industries apparently are to be supported. Growth is to be in a limited number of unidentified growth centers, but then again some growth industries are to be decentralized to help the economies of outlying areas. Nowhere in the strategy is there a discussion of how such things are to be accomplished, nor is there anything more than a set of priorities for resolving internal problems stemming from rivalries between the States and the Commission on funding for State projects as opposed to regional projects.

There is no guidance in the Plan on how to choose between projects in growth centers and those in outlying areas; no guidance on how to choose between projects for traditional industries as opposed to those for high technology industries, and so on. Unfortunately, the discussion on strategy refers to four key factors, but probably due to a mechanical error, only one is mentioned.

Investment Computations

Another weakness of the Plan is the process by which it arrives at the amount of investment needed to accomplish its objectives. If 1980 is to be taken as the end period, then 120,900 jobs would not be the correct number, since that number represents the difference between the amount of unemployment in New England and the amount which would be needed to bring the New England unemployment rate down to the national unemployment rate by the end of 1977. If the 28.5 percent reduction in the unemployment gap in the three-year period from the beginning of 1975 to the end of 1977 is projected at the same rate for the next three-year period, the unemployment gap at the end of 1980 would be about 86,900, not 120,900.

The Plan also errs in distributing the public and private share of the required investment on a fifty-fifty basis. Most studies of private capital investment induced by government expenditures for economic development generally report the stimulation of much larger proportions of private capital. For example, an Economic Development Administration (EDA) study of 50 public works projects reported than an EDA cost of $28.5 millions resulted in additional private capital investment of $217.9 millions (a ratio of about 7.7 to 1). (1) An evaluation of the impact of projects funded by the Coastal Plains Regional Commission reported a partial total of $227,000,000 in new private investment in the Region as a result of the regional commission's involvement in selected projects. Since total Coastal

(1) U. S. Department of Commerce, Re-Evaluation of the Impacts of Fifty Public Works Projects, November, 1974, p.5.

Plains expenditures for the period under study amounted to only about $33.5 millions, the ratio would be about 6.8 to 1. (1)

Assignment of only 25 percent of the public investment to the Federal Government, with the balance to State and local financing is also questionable. The Federal share of most development financing is almost never less than 50 percent, and it has been gradually increasing up to 100 percent in some instances. Clearly, the ratio for public funding should be more nearly 75 percent Federal and 25 percent State and local.

If the number of jobs to be created is reduced to 86,900; if the public share of investment required is reduced to about 15 percent; and if the Federal share of the public share is increased from 25 percent to 75 percent, the total Federal share required under the Plan would be about $425 millions, which is somewhat smaller than the figure of $654 millions presented in the Plan.

However, it doesn't really make any difference whether the estimate is $425 millions or $654 millions, because the Plan states that the Commission can only usefully place $20,000,000 per year for the next ten years to reduce unemployment in New England. The balance is put off to other unnamed Federal agencies.

The Plan would be strengthened if it approached the problem of funding requirements primarily from the standpoint of funds under its control, and if it estimated the amount of Commission investment required to create one job. The EDA figures quoted above could be used as a starting point for such an estimate. Then, if the Commission could only spend $20,000,000 a year, it should limit its objectives to creating the number of jobs which an investment of $20,000,000 annually might be expected to create. If an investment of $4,000 would create one job, then the Commission could set its objective as the creation of 5,000 jobs per year.

If the Commission would rather deal with all extra public and private investments required to close the unemployment gap, then it has an obligation to include in its Plan the types of additional investments which need to be made by other public agencies, where and when they ought to be made, and what priorities should be followed. As far as private investments are concerned, at least the Plan ought to suggest the types of private investment opportunities which will be open as a result of the recommended public investments.

If the Commission does not have information on which to base

(1) Williams, Harold W., An Initial Evaluation of the Impact of Projects Funded . . .by the Coastal Plains Regional Commission .... July, 1975, p. 13.

judgments and recommendations for investments by other public agencies and by private investors, then it should limit its objectives to those which can be attained through investments of funds under Commission control.

Moreover, if, as the Commission states, the Plan revision is emphasized at programs designed to be implemented quickly in the short run, and programs which will produce quick jobs to alleviate the current unemployment crisis, then the Plan ought to identify the job-creating programs, tell when they can be implemented and estimate what the immediate impact will be on regional unemployment.

The Region and the States

The problem of understanding the amounts of program funds required for the implementation of the Plan is further complicated by a lack of clarity in distinguishing between Commission programs and State programs. The importance of the States is emphasized in many sections of the Plan. Yet, on the one hand the Commission calls for expenditures of $20,000,000 per year over a two-year period and presents a "two-year program" for $40,000,000; and on the other hand, the Commission includes in its Plan State programs for $132.8 millions (excluding the amount for Connecticut whose list had not been submitted in time for inclusion in the draft).

On page 98 of the Plan, the Commission is reported to have agreed on a priority system which would give first priority to programs of regional significance involving every State and second priority to projects of regional significance involving more than one State. As a third priority, remaining funds would be allotted to the six States on an equal-shares basis. Yet, if the Commission can only usefully spend $20,000,000 annually, and it has presented regional programs amounting to $40,000,000 over a two-year period, there will be nothing left over for an equal-shares allocation among the States. If this is correct, what is the purpose of including the State so-called "action programs"?

The inclusion of separate State sections is somewhat disconcerting, even though they are included in the Appendix. Each State presents an overview of its economy and a discussion of State problems and advantages. A separate Appendix is provided for the so-called "State Action Plans", but there is no indication that the listing of projects under each of the States constitutes a plan at all, as distinct from a "wish-list." There is no discussion of State goals or strategies and no linking of State to Region. An uninformed reader might get the impression that the States and the Region are completely different entities.

Is New England a Lagging Region?

The Plan has difficulty establishing a rationale for extra Federal

assistance to New England as a lagging region. This results more from a failure on the part of Congress to clarify national policy for regions than from any deficiencies in the New England Plan. With the exception of the higher unemployment rate in New England, none of the other indicators really present a picture of an economy that is lagging badly. For example, according to data presented in the Plan, employment in New England grew between 1960 and 1974 at a percentage rate twice as high as the overall population (30 percent compared to 15 percent). Even during the 1970 to 1974 period when New England was presumably being hit hard by declining Federal purchases, high energy costs and a series of transportation crises, total non-agricultural employment grew by six percent compared to a population growth of only two percent. This is hardly the picture of a deteriorating economy.

The Plan uses what it calls an "employment pressure index" to measure the percentage of the total population employed. In 1974 New England had 42 percent of its population employed compared to only 40 percent in the Nation as a whole. And while New England's per capita income had dropped from being nine percent greater than the national per capita in 1960 to only five percent greater in 1974, the actual per capita difference during that period had increased in New England's favor from $203 in 1960 to $253 in 1974.

There is no question that the New England economy is in trouble. It does have a high unemployment rate. It does have old plants. It does have high energy and transportation costs. These matters need correction. But the fact that the New England regional growth rates are lower than those for the Nation as a whole is not necessarily a matter for national concern. If the other regions in the Nation are to achieve their goals of parity with the national per capita income, then it stands to reason that those regions, such as New England, where per capita income is already above the national average, are going to have to grow at a lower rate than the rest of the Nation.

This should not be construed as a criticism of the Plan. It is simply a plea for some Federal guidance on the objectives of the regional development program, so that at least we can have regional development plans which, taken as a whole, are not mutually contradictory. All regions need help. But that help should be forthcoming within the framework of a national policy which is consistent and fair for all regions.

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Compliance with Regulations

The Plan barely meets the requirements of Department of Commerce regulations as contained in the Code of Federal Regulations, Title 13, Business & Credit Assistance, Chapter V, Regional Action Planning Commissions, Part 530, Review of Commission Plans.

Review of Prior Studies. According to the regulations, the Plan should include a review of prior studies concerning the Region's economy. This requirement is barely fulfilled. There is passing reference to the previous regional development plan, but no continuity between the previous document and the present draft. For example, people are identified in the previous plan as New England's primary resource, but there is no reference in the present draft to this concept and few of the programs deal directly with people as a resource. The former plan identified the need to deal with problems arising from economic and income imbalances among sub-areas as a critical issue. Yet, there is only a meager identification of these areas in the present Plan and no strategy to deal with underdeveloped rural areas or the central cities of the metropolitan areas of the three southern New England States. The previous Plan calls attention to these sub-areas.

Framework for Analysis. The Plan has an acceptable framework for analysis of the regional economy in its use of time series to compare performance of the regional economy with the national economy over a period of time. While the Plan itself does not make any estimate of gaps in research and data needed for effective development, a considerable part of the program is devoted to additional research.

A major deficiency in the analytical framework is the absence of data on sub-areas, other than the States. Since the Plan mentions the problems of mill towns, rural areas and central cities, the analysis would have been improved if additional sub-area data were considered.

Review of the Regional Economy. The Plan's review of the regional economy is quite good from the standpoint of regional data on employment, population and income. However, the analysis of migration figures is confusing. For example, the Plan states: "The latest census figures show that the Northeast Region, which includes New England, lost a net of approximately 1,500,000 people from 1970 to 1975. . ." Yet, the Statistical Abstract of the United States for 1975 shows a net increase in population for the Region from 1970 to 1974 of 303,000 and a net inmigration of 59,000. Only Connecticut and Rhode Island show a net out-migration.

The review of the regional economy lacks data on such aspects of

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the economy as agriculture, fishing, tourism, the lumber industry and transportation. Since these industries are represented as important to the Region, it would have been useful to provide the reader with some indication of their magnitude in the Region and their economic performance in recent years.

The Plan does not identify growth centers, and, as pointed out above in the discussion of strategy, it is ambivalent on the question of growth center strategy.

Review of Conditions Inhibiting Growth. The Plan contains an excellent review of the major factors which have caused the Region to lag behind the Nation in economic development. It would be improved if more data were provided to substantiate the analysis.

Review of Major Plans and Pending Decisions. A major deficiency in the Plan is the complete absence of any reference to other Federal programs, particularly in energy and transportation, areas which are crucial to the Region. Federal energy legislation provides certain subsidies for energy conservation programs, but there is no indication in the Plan that the Commission has taken these into consideration in arriving at its own energy conservation program. The Energy Research and Development Administration has a program for solar energy research, but there is no indication that the Commission has taken this program into consideration in formulating its own program for the development of solar energy, other than its effort to obtain the location of the Solar Energy Research Laboratory in New England.

Even more relevant is the Railroad Revitalization and Regulatory Reform Act of 1976 which makes large amounts of funds available for track and equipment rehabilitation. There is no evidence that the Commission has taken this into consideration in arriving at its allocation of $10,100,000 for rail rehabilitation.

Establishment of Regional Goals. As indicated above, the original goals contained in the Commission's 1972 development plan have been incorporated in the present draft unchanged. As for specific objectives, the Commission seems to have adopted as one objective an increase by 1980 in the number of jobs created so as to bring the unemployment rate for the Region down to the national level.

Determination of a Development Strategy. The Plan contains a section on strategy, but, as stated above, this section is weak and needs clarification. There is no analysis on how unemployment should be reduced. Presumably, one way would be to persuade people to leave the labor force, although this would hardly seem beneficial to regional development. There is no analysis in the Plan of whether investments should be concentrated in growth centers or dispersed. Implicit in the Plan is the conclusion that investments in energy, transportation and economic development are most critical

for achieving a higher rate of growth, but these categories are so broad as to bring the sharpness of the strategy into question.

Review of Existing Program Adequacy. The Plan does contain reviews of existing programs in most subject areas. Moreover, the State sections in the Appendix supplement these reviews with analyses of existing State programs, problems and opportunities.

Criteria for Project Identification. The Plan contains criteria for project identification, based upon resolutions passed by the Commission is recent years. While these criteria tend to be so broad as to permit approval of a wide variety of programs, it can be said that the Plan supplies criteria for project identification. The Plan could be strengthened if the section on strategy is sharpened and used as a basis for making project identification criteria more explicit.

Consideration of Other Planning in the Region. There is no evidence in the Plan that consideration has been given to the planning activities of agencies other than the States. For example, the planning activities of economic development districts seem not to have been considered at all, despite specific requirements in the legislation to that effect.

V

While not specifically related to the regulations, there are a number of other instances in which the Plan could be improved.

1. The Plan does not effectively bridge the gap between the previous plan and the present draft. Although there is a recital of past accomplishments in the Appendix, there is no evaluation of past activities, no analysis of past operations, no summarization of Commission accomplishments.

2. Although preservation and enhancement of the environment is one of the major goals of the Commission, the Plan does not deal with the conflict between economic development and environmental enhancement. Yet this conflict has been crucial to New England, as witnessed by the struggle to control second home developments in Vermont and the dispute over the location of an oil refinery in New Hampshire and Maine.

3. There is nothing in the Plan to indicate the process by which goals were established, strategy set and program agreed to. Were all these done with any public input? Was there any professional input from local or development district agencies? Was there any input from the States? What role did the Commission membership play in approving the program? Or is the

draft entirely the work of the Commission staff and/or consultants?

4. The Plan states on page 53 that the Region has limited potential for hydropower, yet the Commission's two-year program contains $3,000,000 for hydropower reclamation. Moreover, it is doubtful whether the Commission can actually use its funds for such purposes in view of Section 704 (e) of the Public Works and Economic Development Act of 1965, which provides rigid conditions for the use of Commission funds for projects to finance the cost of facilities for the generation of electric energy.

5. On Page 135, the Plan refers to the task "of bringing the Region into equality to the Nation." This requires more specificity. "Bringing the Region into equality with the Nation" by bringing the Region's unemployment rate down to the national level would be fine, but accomplishing equality by lowering the Region's per capita income would hardly be desirable.

VI

In summation, the New England Regional Commission appears to have a good intuitive understanding of the regional economy and its major problems. As a document, its 1976 Revision of the Regional Development Plan could be improved by better factual documentation of some of its special problems and opportunities. While the Plan has an implicit strategy which appears to be logical, it could be strengthened by clarifying its explanation of goals and objectives and making its strategy more explicit. It would also help to sharpen its statement of goals and strategies.

The Plan suffers from some confusion as to its time frame and as to the allocation of proposed investments as between the Commission and its member States. It also could be improved by relating it more directly to the original regional development plan with that plan's emphasis on "people" as the Region's primary resource, as well as with the emphasis on the need to deal with special problems in sub-areas.

Although the Plan clearly specifies how the Commission intends to spend its funds, there is some question about several of the projects. At least two seem unnecessarily to duplicate what is being done by other agencies. One may not be possible in view of restrictions in the legislation, and even if providing Commission funds for it is possible, it has not been justified in the analysis. And there is serious question as to whether a regional capital credit corporation is really needed.

And finally, the Plan could be improved if its bulk were reduced.

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Perhaps the various State analyses could be summarized in the Plan and published under separate cover. Certainly the material in Chapter IV, which is repetitious of Chapter II, could be eliminated, and much of the balance of the chapter could be relegated to an Appendix. The Executive Summary would also benefit from further summarization.

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UNITED STATES DEPARTMENT OF COMMERCE
Bureau of Economic Analysis
Washington, D.C. 20230

OFFICE OF THE DIRECTOR

November 30, 1976

MEMORANDUM

TO : John W. Eden
Acting Executive Secretary
Federal Advisory Council on
Regional Economic Development

FROM : Daniel H. Garnick
Associate Director for
Regional Economics

SUBJECT: Review of 1976 Revision of the Regional Development Plan
Prepared by the New England Regional Commission

The 1976 revision of the Regional Development Plan reviews the changes which have occurred in New England since publication of the 1972 plan. These four years have seen many economic changes, which have upset the economic forecasts contained in the earlier plan. Cases in point are changes in the energy situation and the Federal funding of research and development, which have had disproportionate impacts on New England.

As a result of these changes and because of requirements contained in the 1975 Regional Development Act, the Regional Development Plan has been substantially revised. The revised plan states that it is pointed at the short run rather than the long run, and that it emphasizes programs which can be implemented quickly. In view of the rapid changes which have taken place in the region since the first report was prepared, a quickly applicable plan is understandable, although it may not be optimal.

Two sets of projections are included in the revision: (1) short-run projection of unemployment; and (2) projections of employment and population for 1980 and 1985. Both sets are adequately related to U.S. projections, and so the sets show trends which are nationally consistent. One set of employment and population projections used in the 1972 report was based on the nationally consistent projections of the Bureau of Economic Analysis. These projections, however, now appear to be too high because of the changing economic forces at work since 1972. Updated estimates, related to recent events taking place in the region, are somewhat lower than the previous set but remain consistent with the U.S. rate of growth.

The stated goal of the New England Regional Commission is to close an unemployment gap of an estimated 120,900 workers. This gap is defined as the number of workers unemployed in the region in excess of the number that would be unemployed if the New England unemployment rate were identical to the Nation's. Until 1967, unemployment rates in New England and the Nation had been about equal. The Commission's goal, therefore, is to return the regional unemployment rate to the regional/national relationship which existed before 1967. This proposal differs considerably from those of other Commissions, who wish to equalize population and employment growth rates between their respective regions and the United States. The New England Plan recognizes that differential growth rates may be due to differing regional comparative advantages, and that net outmigration may be inevitable because of cost advantages and amenities available elsewhere. It should be pointed out, however, that worker mobility is neither perfect nor instantaneous.

The 1976 version of the Development Plan proposes to partially attack the unemployment gap by sponsoring projects to reduce the high cost of energy in New England and provide cheaper and improved railroad service. New England is almost totally dependent on petroleum for generating energy and inasmuch as it is located at the end of the supply network, it is disadvantaged by higher energy production costs. This disadvantage is compounded by a poor railroad network beset by financial difficulties and rate inequities. Projects to redress these disadvantages would not only reduce costs and improve the regional comparative advantage but would also bring into production an otherwise unutilized or under-utilized labor force, thereby yielding net national benefits. The plan takes note of the leadership the New England region has already shown in supporting energy conservation developments. This approach is especially attractive inasmuch as it yields significant opportunities for profitable investments and job creation, while obviating problems of pollution and national dependence on increasingly expensive and risky sources for energy.

Other aspects of the program have to do with incentives to businessmen to invest in job-creating enterprises in tourism, manufacturing, fishing, and agriculture. This portion of the program relies primarily on low-interest loans and/or technical assistance to increase production. Unless these programs permanently reduce production costs, however, their effects may be temporary; they may merely transfer economic activity from one area to another without necessarily generating net national benefits.

The description of the sources of funds for implementing the total program requires more explanation. The assertion that the estimated public and private shares of investment per worker will be about 50 percent each, and that, of the public share, about three-fourths is generated by State and local governments, requires more substantiation.

cc
George Jaszi, Director, BEA

DEC 10 1976

UNITED STATES DEPARTMENT OF COMMERCE
Economic Development Administration
Washington, D.C. 20230

MEMORANDUM FOR John W. Eden
Assistant Secretary
for Economic Development

FROM: D. Patricia Keeler
Director
Office of Planning and Program Support

SUBJECT: The Revised New England Regional Development Plan

The New England Commission's Revised Regional Development Plan calls for additional public and private investment over the next decade of $5.2 billion to close a projected deficit of 120,000 jobs in the region and to bring regional unemployment rates down to the national average.

Of this amount, half would come from the private sector and half from Federal, State, and local government. The proposed public investment is seen as helping to generate the necessary private investment.

The Plan proposes that the New England Regional Commission provide some $20 million annually or $0.2 billion (approximately one-third of the Federal contribution) over the ten year period.

The Plan recommends a specific two year development program encompassing projects in the areas of energy, transportation, and economic development. It is proposed that each of the three areas receive approximately equal funding.

The Plan's recommended program is supported by an extensive analysis of the New England economy and its problems. In our opinion, the proposed program is consistent with that analysis. This program is composed of some sixteen projects to be funded over the next two years at a cost of $40 million.

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While the proposed projects appear consistent with the Plan's analysis of the region's development problems, no attempt is made to outline specific criteria by which the cost/benefit or cost effective relationships of these projects can be evaluated. Presumbly the proposed projects have received this evaluation in the course of their development.

Our one suggestion is that the Plan might well devote additional attention and emphasis to (1) emerging state and sub-state economic development planning capabilities, (2) current efforts to integrate state and sub-state development planning, and (3) the individual growth policies and strategies being formulated in each of the six States. In our opinion, this information would increase the usefulness of the Plan as a coordinating instrument.

Our overall assessment is that the Revised Plan (as did the 1972 version) makes a useful contribution to understanding the special problems which characterize the New England economy and identifying actions which would be responsive to these problems.

UNITED STATES DEPARTMENT OF COMMERCE
National Oceanic and Atmospheric Administration
Rockville, Maryland 20852

SEP 3 1976

MEMORANDUM FOR John W. Eden
Acting Executive Secretary for the Federal Advisory Council on Regional Economic Development

FROM for Robert W. Knecht Richard R. Gardner
Assistant Administrator for Coastal Zone Management

SUBJECT Review of 1976 Revision of the Regional Development Plan

Thank you for the opportunity to review the New England 1976 Revision of the Regional Development Plan.

We do not see any specific conflicts or duplication with programs of the Office of Coastal Zone Management.

We found the statistics and descriptive information to provide an excellent overview of the New England states.

AMERICAN REVOLUTION BICENTENNIAL 1776-1976

NOAA

THE ASSISTANT SECRETARY OF COMMERCE
Washington, D.C. 20230

November 30, 1976

MEMORANDUM FOR John W. Eden
Acting Executive Secretary of the
Federal Advisory Council on
Regional Economic Development

THROUGH: Robert T. Miki RM
Director
Office of Regulatory Economics and Policy

FROM: A. Ray Grimes ARG
Senior Economist

SUBJECT: Review of Regional Development Plan of the New England Regional Commission.

As you requested, we have reviewed the draft 1976 Revision of the Regional Development Plan of the New England Regional Commission. We have the following comments.

1. The programs suggested in the Revised Plan are intended to supplement on-going efforts and are pointed at the short-run. The plan's objective is stated in terms of eliminating a severe, short-run "unemployment gap."

   Some of the shortcomings we see in the Plan's analysis and the suggested programs to alleviate the gap are the following:

   - The method used to project the region's unemployment rate merits reconsideration. The relatively more severe unemployment problem in New England in recent years is a result of three factors: (1) a long-run deterioration in the region's economy vis-a-vis the Nation, (2) the more extreme impacts of the increase in energy prices, especially for imported petroleum on which the region is heavily dependent, and (3) more severe repercussions from the recent recession and a slower recovery. A regression equation that relates the region's unemployment rate to the U.S.

rate and a time trend might account for (1) and (3) above, but it most certainly would miss (2), which is probably the most important factor.

- The use of the U.S. (average) capital/output ratio for a specific region, particularly New England, may lead to incorrect conclusions. The New England region, according to the Plan and other sources, has a capital stock much older than the average. Also, because of the extreme energy problem facing the region, the rate of obsolescence of the region's capital stock may have accelerated. These two factors would necessitate a higher than average replacement rate. Many of the industries in which the region has a comparative advantage are high technology industries. Typically, these industries have a high capital/labor ratio and thus would require higher than average new investment per worker. Because of these factors, the new capital necessary to create 121,000 new jobs may be understated in the Plan.

- It should be noted that the estimate of $5.2 billion to create 121,000 jobs is derived from a production relationship, i.e., the capital/output ratio. Thus, the $5.2 billion represents the estimated amount of <u>new capital stock</u> that must be accumulated and employed in order to create the jobs. It is net of replacement investment. Further, it represents additions to the existing capital stock, not simply dollar expenditures. The majority of the expenditures proposed in the Plan are for analysis, planning, design and information, or for loan funds. These expenditures are not direct additions to the capital stock, nor do they directly employ many workers. They seem more appropriate as programs to stimulate long-term economic growth than to correct the short-run unemployment problem.

2. The Plan should more adequately relate the proposed new programs to the on-going programs of the Commission and should point out what has been accomplished so far in accordance with the 1972 Plan.

3. The Plan expresses concern for the environment (water pollution abatement and solid waste disposal), but it does not adequately deal with the problem of balancing economic growth and environmental improvements. Our recent analysis indicates that the

costs of environmental improvements are considerably higher in New England than in other regions. How will these higher costs constrain the region's efforts to achieve parity in economic growth with the U.S.? The Plan does not address this important issue.

APPENDIX C

EXECUTIVE ORDER NO. 11386
DATED DECEMBER 28, 1967
ESTABLISHING THE FEDERAL ADVISORY COUNCIL
ON REGIONAL ECONOMIC DEVELOPMENT

Presidential Documents

Title 3—THE PRESIDENT

Executive Order 11386

PRESCRIBING ARRANGEMENTS FOR COORDINATION OF THE ACTIVITIES OF REGIONAL COMMISSIONS AND ACTIVITIES OF THE FEDERAL GOVERNMENT RELATING TO REGIONAL ECONOMIC DEVELOPMENT, AND ESTABLISHING THE FEDERAL ADVISORY COUNCIL ON REGIONAL ECONOMIC DEVELOPMENT

WHEREAS the proper discharge of Federal responsibilities under the Appalachian Regional Development Act of 1965 (79 Stat. 5, 40 U.S.C. App.) and the Public Works and Economic Development Act of 1965 (79 Stat. 552, 42 U.S.C. 3121 *et seq.*), as amended by Public Law 90–103, 81 Stat. 257, requires that the participation of the Federal Government in regional development activities be effectively coordinated;

WHEREAS the President is required by the Appalachian Regional Development Act of 1965 to provide effective and continuing liaison between the Federal Government and the Appalachian Regional Commission;

WHEREAS the Secretary of Commerce has responsibility under the Public Works and Economic Development Act of 1965 for Federal economic development activities designed to alleviate conditions of substantial and persistent unemployment and underemployment in economically distressed areas and regions of the Nation;

WHEREAS the Secretary of Commerce is directed by the Public Works and Economic Development Act of 1965 to coordinate the Federal Cochairmen appointed to regional commissions established before or after the date of that Act;

WHEREAS the Secretary of Commerce is required by the Public Works and Economic Development Act of 1965 to provide effective and continuing liaison between the Federal Government and each regional commission established under Title V of that Act; and

WHEREAS the Secretary of Commerce has been Chairman of the President's Review Committee for Development Planning in Alaska, established to provide general direction and guidance to the Federal Field Committee for Development Planning in Alaska, established by Executive Order No. 11182, dated October 2, 1964;

NOW, THEREFORE, by virtue of the authority vested in me by the Appalachian Regional Development Act of 1965, the Public Works and Economic Development Act of 1965, and section 301 of Title 3 of the United States Code, and as President of the United States, it is ordered as follows:

SECTION 1. *Functions of the Secretary of Commerce.* The Secretary of Commerce shall—

(a) Provide the effective and continuing liaison required by section 104 of the Appalachian Regional Development Act of 1965 and by section 503(c) of the Public Works and Economic Development Act of 1965 between the Federal Government and each regional commission established under those

Acts, and between the Federal Government and the Federal Field Committee for Development Planning in Alaska (hereinafter referred to as "the Field Committee").

(b) Obtain a coordinated review within the Federal Government of plans and recommendations submitted by the commissions and the Field Committee.

(c) Provide guidance and policy direction to the Federal Cochairmen and the Chairman of the Field Committee with respect to their Federal functions.

(d) Promote the effective coordination of the activities of the Federal Government relating to regional economic development.

(e) In carrying out the functions set forth in section 1 (a), (b), (c), and (d) the Secretary of Commerce shall—

(1) Review the regional economic development plans and programs submitted to him by the Federal Cochairmen, budgetary recommendations, the standards for development underlying those plans, programs and budgetary recommendations, and legislative recommendations; and advise the Federal Cochairmen of the Federal policy with respect to those matters, and where appropriate, submit recommendations to the Director of the Bureau of the Budget.

(2) Review and advise the Chairman of the Field Committee with respect to the tentative plans and recommendations of the Field Committee, and receive and consider the final plans and recommendations of the Field Committee and transmit them to the heads of interested Federal departments and agencies and to the President.

(3) Resolve any questions of policy which may arise between a Federal Cochairman and a Federal department or agency in the implementation of regional development programs.

(4) Appoint a Special Assistant and other staff as required to assist him in carrying out these functions.

SEC. 2. *Establishment of the Council.* (a) There is hereby established the Federal Advisory Council on Regional Economic Development, hereinafter referred to as "the Council."

(b) The Council shall be composed of the following members: The Secretary of Commerce, who shall be the Chairman of the Council (hereinafter referred to as "the Chairman"), the Secretary of Agriculture, the Secretary of the Army, the Secretary of Health, Education, and Welfare, the Secretary of Housing and Urban Development, the Secretary of the Interior, the Secretary of Labor, the Secretary of Transportation, the Director of the Office of Economic Opportunity, the Administrator of the Small Business Administration, the Federal Cochairman of the Appalachian Regional Commission, such Federal Cochairman as are appointed by the President under authority of Title V of the Public Works and Economic Development Act of 1965, and the Chairman of the Field Committee.

(c) Whenever matters within the purview of the Council may be of interest to heads of Federal departments or agencies not represented on the Council under section 2(b) of this order, the Chairman may consult with the heads of such departments and agencies and may invite them to participate in meetings and deliberations of the Council.

(d) The Council shall meet at the call of the Chairman.

SEC. 3. *Functions of the Council.* The Council shall assist the Secretary of Commerce in carrying out the functions set forth in section 1 of this order, and shall, as requested by the Secretary of Commerce—

(a) Review proposed long-range economic development plans prepared by the regional commissions and the Field Committee.

(b) Recommend desirable development objectives and programs for such regions and Alaska.

(c) Review proposed designations of additional economic development regions under Title V of the Public Works and Economic Development Act of 1965.

(d) Review Federal programs relating to regional economic development, develop basic policies and priorities with respect to such programs, and recommend administrative or legislative action needed to stimulate and further regional economic development.

(e) Review proposed department or agency regional economic development plans.

(f) Recommend surveys and studies needed to assist the Secretary of Commerce and the Council in carrying out their functions.

SEC. 4. *Responsibilities of the Participating Federal Agencies.* (a) Each Federal department and agency the head of which is referred to in section 2(b) of this order shall, as may be necessary, furnish assistance to the Council in accordance with the provisions of section 214 of the Act of May 3, 1945 (59 Stat. 134, 31 U.S.C. 691).

(b) The head of each such Federal department or agency shall designate an Assistant Secretary or equivalent level official who shall have primary and continuing responsibility for the participation and cooperation of that department or agency in regional economic development as required by this order.

(c) The head of each such Federal department or agency shall keep the Secretary of Commerce and the Council informed of all proposed regional economic development plans of his department or agency.

(d) The head of each such Federal department or agency shall, consonant with law and within the limits of available funds, cooperate with the Council and with the Secretary of Commerce in carrying out their functions under this order. Such cooperation shall include, as may be appropriate, (1) furnishing relevant available information, (2) making studies and preparing reports, (3) in connection with the development of programs, priorities, and operations of the department or agency, giving full consideration to any plans and recommendations for the economic development of the various regions, including recommendations made by the Council, and (4) advising on the work of the Council as the Chairman may from time to time request.

SEC. 5. *Responsibilities of the Federal Cochairmen and the Chairman of the Field Committee.* The Federal Cochairmen, and the Chairman of the Field Committee as appropriate, shall—

(a) Maintain continuing liaison with the Secretary of Commerce with respect to the activities of the regional commissions and the Field Committee.

(b) Adhere to general Federal policies affecting regional economic development that are established by the Secretary of Commerce.

(c) Inform the appropriate Federal departments and agencies of programs and projects to be considered by the commissions, and attempt to obtain a consensus within the Federal Government through consultation with appropriate Federal agency representatives before casting a vote on any such matter.

(d) Represent the participating Federal departments and agencies in connection with the activities of the regional commissions.

(e) Submit to the Secretary of Commerce regional economic development plans and programs of the regional commissions, budgetary recommendations, legislative recommendations, and progress reports, as requested by the Secretary of Commerce, on the activities of the regional commissions.

(f) Submit reports required by section 304 of the Appalachian Regional Development Act of 1965 and by section 510 of the Public Works and Economic Development Act of 1965 to the Secretary of Commerce for review prior to transmittal to the President or the Congress.

SEC. 6. *Appalachian Program.* (a) Funds appropriated pursuant to sections 201 and 401 of the Appalachian Regional Development Act of 1965 shall be available to the Federal Cochairman of the Appalachian Regional Commission for the purposes of carrying out that Act.

(b) The Federal Cochairman of the Appalachian Regional Commission is delegated the functions conferred upon the President by sections 214(a), 302(a), and 302(c) of the Appalachian Regional Development Act of 1965, which shall be exercised by him in accordance with the provisions of this order.

SEC. 7. *Construction.* Nothing in this order shall be construed as subjecting any function vested by law in, or assigned pursuant to law to, any Federal department or agency, to the authority of the Council or the Secretary of Commerce, or as abrogating or restricting any such function in any manner.

SEC. 8. *Definition.* Except as the context may otherwise require, any reference herein to any Act, or to any provision of any Act, shall be deemed to be a reference thereto as amended from time to time.

SEC. 9. *Prior Executive Orders.* (a) Executive Order No. 11182, as amended, is hereby further amended as follows:

(1) By changing the heading of the order so as to read as follows: "ESTABLISHING THE FEDERAL FIELD COMMITTEE FOR DEVELOPMENT PLANNING IN ALASKA".

(2) By striking the words "the Housing and Home Finance Administrator" from section 1(b) and by inserting in lieu thereof the words "the Secretary of Housing and Urban Development, the Director of the Office of Economic Opportunity".

(3) By substituting the following for subsection (a) of section 2:

"(a) Subject to the general direction and guidance of the Secretary of Commerce, the Field Committee shall serve as the principal instrumentality for developing coordinated plans for Federal programs which contribute to

economic and resources development in Alaska and for recommending appropriate action by the Federal Government to carry out such plans."

(4) By striking from sections 3(e) and 3(f) the words "Review Committee" and by inserting in lieu thereof the words "Secretary of Commerce."

(5) By revoking Part II. The President's Review Committee for Development Planning in Alaska, established by that Part, shall be deemed to be hereby abolished.

(6) By redesignating Part III and section 31 thereof as Part II and section 21, respectively.

(7) By redesignating Part IV and sections 41, 42, and 43 as Part III and sections 31, 32, and 33, respectively, and by striking from the redesignated section 33 the words "and the Review Committee".

(b) The Federal Development Committee for Appalachia, established by Executive Order No. 11209 of March 25, 1965, is hereby abolished and that order is hereby revoked.

/S/ LYNDON B. JOHNSON

THE WHITE HOUSE,
December 28, 1967.

[F.R. Doc. 68-111; Filed, Jan. 2, 1968; 10:37 a.m.]

Title 3 -- The President

EXECUTIVE ORDER 11608

Termination of Federal Field Committee for Development Planning in Alaska

By virtue of the authority vested in me as President of the United States, Executive Order No. 11182 of October 2, 1964, as amended, is revoked and the Federal Field Committee for Development Planning in Alaska established thereby is abolished. Executive Order No. 11386 of December 28, 1967, to the extent that it pertains to the Federal Field Committee for Development Planning in Alaska, is revoked. The Secretary of Commerce shall make such arrangements as may be necessary relating to the termination of the Committee.

THE WHITE HOUSE,
July 19, 1971 s/ Richard Nixon

[FR Doc. 71-10414 Filed 7-19-71;4:20 pm]

APPENDIX D

OUTLINE OF PLAN REVIEW PROCESS

OUTLINE OF REGIONAL PLAN REVIEW PROCESS

A. *Introduction*

The review process described in this statement reflects experience to date in conducting the Federal review of regional plans. The procedure is based on several premises:

1. The individual Regional Commission plan has been developed by the Federal Cochairman and the Commission staff in close consultation with member agencies of the Regional Advisory Council.

2. Before the plan is referred to the Department of Commerce, Federal Agencies at the regional level have made a review and provided inputs.

3. The review provided for herein is at the Federal headquarters level and the Federal Cochairman will involve his Commission, as required by Commission policy and practice, in responding to recommendations and suggestions from the agencies and guidance from the Secretary of Commerce.

B. *Purposes*

The principal purposes to be achieved in the review process are:

1. To provide the Secretary and Federal Cochairman with appraisals by expert sources on problems and solutions in the regional plan;

2. To inform the review elements (agencies of the Department of Commerce and other concerned departments and agencies of the Executive Branch) of regional problems and proposed solutions by the Commission;

3. To permit review elements to identify areas of cooperation with the Regional Commission; and

4. To provide the Secretary and the Federal Cochairman a basis for formulating budget requests.

C. *Review Elements*

The review elements are:

1. The Secretary of Commerce;

2. The Assistant Secretary for Economic Development;

3. The Special Assistant to the Secretary of Commerce for Regional Economic Coordination (SAREC);

4. Member agencies of the Federal Advisory Council on Regional Economic Development (FACRED); and

5. Department of Commerce (DOC) Intradepartmental Committee.

D. *Review Schedule* (Steps)

1. Draft plan submitted by Federal Cochairman to SAREC. SAREC performs review and provides comments to the Federal Cochairman within 15 days.

2. SAREC transmits draft plan to Secretary for preliminary information purposes.

3. Draft plan distributed by SAREC or by the Federal Cochairman to the Assistant Secretary for Economic Development, the DOC Intradepartmental Committee, and member agencies of FACRED suggesting a 60-day deadline for comment.

4. Federal Cochairman submits to SAREC a report on his disposition of review element comments. SAREC prepares recommendations to the Secretary on the plan and review element comments within 15 days of receipt of Federal Cochairman's report.

5. Secretary of Commerce supplies guidance to the Federal Cochairman.

6. The Regional Commission takes action on the plan and the Federal Cochairman resubmits to Secretary of Commerce.

7. Secretary of Commerce reviews and submits the plan and his recommendations to the White House, notifying the Federal Cochairman and review elements of his actions.

E. *Focus of Review by Review Elements*

1. *SAREC*—The review in SAREC considers the following:

   (a) Does the plan meet the minimum acceptable planning requirements outlined in Secretary of Commerce memorandum of January 10, 1968 to Director, Bureau of the Budget?

   (b) Does the plan meet the requirements of Section 307.5 in Title 13 of the Code of Federal Regulations published July 14, 1967?

   (c) Does the plan respond to written guidance from the Secretary of Commerce beginning with his memorandum of January 28, 1970?

2. *Assistant Secretary for Economic Development*—Review by this office should include:

   (a) Are the Commission's projections consistent with national trends, EDA information regarding conditions in the region, and public investment payoffs?

   (b) How do EDA plans for redevelopment areas and districts relate to the regional plan?

   (c) What are the opportunities for mutually-supportive coordination between EDA activities and the programs proposed in the plan?

3. *DOC Intradepartmental Committee*—Members review the plan from the standpoint of their agency expertise, identifying potential contributions to the plan's goals and objectives. (List of member agencies attached.)

4. *FACRED*—FACRED review should be concerned principally with policy considerations and improvement of coordination. (List of member agencies attached.)

   (a) Review for conflicts in authority, jurisdiction, and legislation.

(b) Review for priorities and timing from the standpoint of the agency.

(c) Review for relationship to existing policies of the agency.

(d) Review to identify and make recommendations on national policy needs revealed by the plan.

5. *Secretary of Commerce*—The Secretary's review concerns are principally two:

(a) Are there broad policy, authority, or jurisdictional problems that he must personally consider and decide upon or recommend action to the President and the Congress?

(b) How does he assess the priority of the claims of the Regional Commission on national resources with reference to other priority claims for these resources?

AUGUST 31, 1970

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